

The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission take no responsibility for the contents of this Application Proof, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Application Proof.

Application Proof of



DPC Dash Ltd

(the “Company”)

(incorporated in the British Virgin Islands with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the “Exchange”) and the Securities and Futures Commission (the “Commission”) solely for the purpose of providing information to the public in Hong Kong. This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its sponsor(s), overall coordinator(s), advisers or members of the underwriting syndicate that:

- (a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;
- (b) the publication of this document or supplemental, revised or replacement pages on the Exchange’s website does not give rise to any obligation of the Company, its sponsor(s), overall coordinator(s), advisers or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;
- (c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;
- (d) this document is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- (e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;
- (f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;
- (g) neither the Company nor any of its affiliates, advisers or members of the underwriting syndicate is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;
- (h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;
- (i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;
- (j) as there may be legal restrictions on the distribution of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and
- (k) the application to which this document relates has not been approved for listing and the Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company’s prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

If you are in any doubt about any of the contents in this document, you should obtain independent professional advice.



DPC Dash Ltd

达势股份有限公司

(incorporated in the British Virgin Islands with limited liability)

[REDACTED]

Number of [REDACTED] under : [REDACTED] (subject to the
the [REDACTED] [REDACTED])
Number of [REDACTED] : [REDACTED] (subject to [REDACTED])
Number of [REDACTED] : [REDACTED] (subject to [REDACTED])
Maximum [REDACTED] : [REDACTED]
Nominal value : US\$[1.00] per Share
[REDACTED] : [REDACTED]

Sole Sponsor, [REDACTED]

BofA SECURITIES 

[REDACTED]

Financial Advisor



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

[REDACTED] The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other document referred to above.

[REDACTED]

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

[REDACTED]

	<i>Page</i>
Expected Timetable	i
Contents	v
Summary	1
Definitions	27
Glossary of Technical Terms	39
Forward-Looking Statements	41
Risk Factors	43
Waivers and Exemptions	93

CONTENTS

Information about this Document and the [REDACTED]	96
Directors and Parties Involved in the [REDACTED]	100
Corporate Information	103
Industry Overview	105
History, Reorganization and Corporate Structure	117
Business	132
Regulations	229
Relationship with the Controlling Shareholders	262
Connected Transactions	266
Directors and Senior Management	272
Substantial Shareholders	285
Shares	287
Financial Information	291
Future Plans and Use of [REDACTED]	388
[REDACTED]	393
Structure of the [REDACTED]	407
How to Apply for [REDACTED]	418
Appendix I – Accountant’s Report	I-1
Appendix II – Unaudited Pro Forma Financial Information	II-1
Appendix III – Summary of the Constitution of our Company and BVI Company Law	III-1
Appendix IV – Statutory and General Information	IV-1
Appendix V – Documents Delivered to the Registrar of Companies and on Display	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. Moreover, there are risks associated with any [REDACTED]. Some of the particular risks of [REDACTED] in our Shares are set out in “Risk factors”. You should read the entire document carefully before you decide to [REDACTED] in our Shares. Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary of technical terms”.

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 547 stores across 12 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, and may incur net losses in the future. 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 in 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.

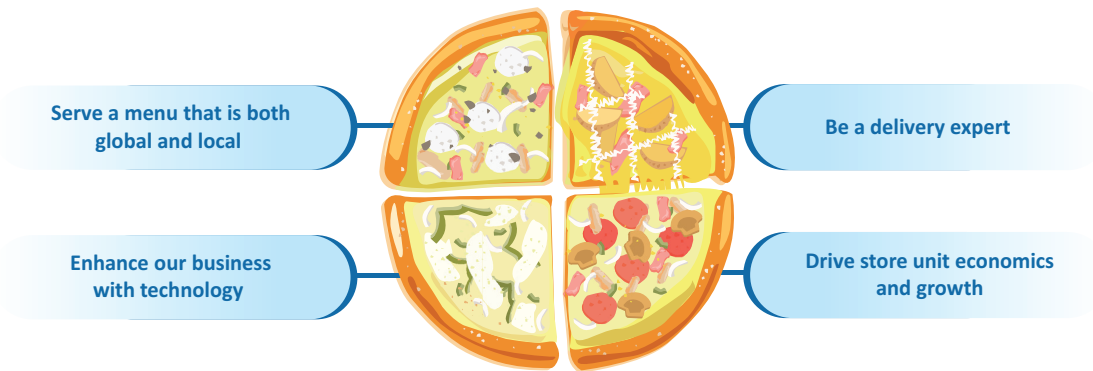
SUMMARY

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 more than 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.



Core Value Propositions



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 providing 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

SUMMARY

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 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 RMB148.6 million and RMB83.3 million, respectively, while our Store EBITDA (non-IFRS measure) – a measure we use to evaluate the profitability of our stores – was RMB242.2 million and RMB138.3 million, representing a Store EBITDA margin (non-IFRS measure) of 15.0% and 15.2%, 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 4.4%, 4.0%, 9.2% and 9.2%, in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We recorded Store EBITDA (non-IFRS measure) margin of 10.6%, 10.6%, 15.0% and 15.2%, 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 RMB83.1 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, and our adjusted EBITDA (non-IFRS measure) improved from losses of RMB25.5 million and RMB34.9 million for 2019 and 2020, respectively, to earnings of RMB58.3 million and RMB42.8 million in 2021 and the six months ended June 30, 2022, respectively.

SUMMARY

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 DOMINO’S PIZZA STORES

We directly 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.

Our Domino’s Pizza store network

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 catering companies, 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
	2019	2020	2021	June 30, 2022
Beijing	81	100	124	136
Shanghai	99	121	143	147
Shenzhen	24	44	64	67
Guangzhou	7	21	41	44
Tianjin	17	25	35	39
Hangzhou	17	22	26	29
Nanjing	14	18	18	23
Suzhou	8	9	9	10
Wuxi	1	3	7	7
Ningbo	–	–	1	2
Foshan	–	–	–	3
Dongguan	–	–	–	1
Total	268	363	468	508

Since most of our current core executive management team joined us in 2018, 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 35.53%, 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.

SUMMARY

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. As of the Latest Practicable Date, we have opened 79 (net of closure) 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 41 stores. We have adopted a plan to open 120 and 180 new stores in 2022 and 2023, adding to the 468 stores we had as of December 31, 2021. Given the vast number of potential store locations in China, we expect we will continue to open new stores at a rapid pace in 2024 and 2025.

For more details, see “Business – Our Domino’s Pizza stores – Our store network”.

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)					
<i>By market</i>					
Beijing and Shanghai	702	869	1,147	554	580
New growth markets ⁽³⁾	135	235	464	213	329
Total⁽¹⁾	837	1,104	1,611	767	909
Average daily sales per store⁽²⁾ (RMB)					
<i>By market</i>					
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
Average orders per store per day⁽⁴⁾ (#)					
<i>By market</i>					
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)					
<i>By market</i>					
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

SUMMARY

	For the year ended or as of December 31,			For the six months ended or as of June 30,	
	2019	2020	2021	2021	2022
Store-level operating profit margin⁽⁶⁾ (%)	4.4	4.0	9.2	9.4	9.2
Store EBITDA margin (non-IFRS measure)⁽⁷⁾ (%)					
<i>By market</i>					
Beijing and Shanghai ⁽⁸⁾	19.0	19.5	22.9	23.0	22.3
New growth markets ⁽⁸⁾	(3.8)	(2.7)	6.7	6.8	12.9
All markets	10.6	10.6	15.0	15.2	15.2

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” refer 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) Calculated by dividing store-level operating profit by revenue for the same period. We define store-level operating profit as 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.
- (7) Store EBITDA is a non-IFRS measure, and Store EBITDA margin is a key financial ratio calculated using Store EBITDA. We use these non-IFRS measures to evaluate store performance. For more information, see “Financial information – Non-IFRS measures” and “Financial information – Key financial ratios”.
- (8) Calculated for a given year and a given market by dividing Store EBITDA (non-IFRS measure) (excluding unallocated costs) by total revenue, in each case for that market and that year, and multiplying the result by 100%. Unallocated costs 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 EBITDA (non-IFRS measure) by market. In 2019, 2020 and 2021, these unallocated costs amounted to RMB39.4 million, RMB46.7 million and RMB51.4 million, representing 4.7%, 4.2%, and 3.2% of revenue, respectively. In the six months ended June 30, 2021 and 2022, these unallocated costs amounted to RMB25.7 million and RMB33.7 million, representing 3.4% and 3.7% of revenue, respectively. For details, see “Financial Information – Non-IFRS measures”.

SUMMARY

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. 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)					
<i>By year of opening</i>					
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
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.

SUMMARY

Same-store performance

The following table sets forth the details of our same-store sales for our Domino’s Pizza stores during the Track Record Period. These are important metrics that our management tracks in evaluating our same-store performance. We define same stores as those Domino’s Pizza stores that were open for at least 18 months in both 2019 and 2020, in both 2020 and 2021, or in both the six months ended June 30, 2021 and 2022, as the case may be.

	For the years ended December 31, 2019 2020		For the years ended December 31, 2020 2021		For the six months ended June 30, 2021 2022	
Number of same stores (#)						
<i>By market</i>						
Beijing and Shanghai	157		195		221	
New growth markets ⁽¹⁾	60		106		139	
Total	217		301		360	
Same-store sales⁽²⁾ (RMB in millions)						
<i>By market</i>						
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
Same-store sales year-on-year growth (%)						
<i>By market</i>						
Beijing and Shanghai	7.7		14.2		10.7	
New growth markets ⁽¹⁾	18.0		37.7		22.1	
All markets	9.0		18.7		13.9	

Notes:

- (1) “New growth markets” refer 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.

For more details, see “Business – Our Domino’s Pizza stores – The operating performance of our Domino’s Pizza stores”.

SUMMARY

MASTER FRANCHISE ARRANGEMENTS

We operate our stores pursuant to the Master Franchise Agreement between our Group and Domino’s International. Pursuant to the 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. In return, 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. The initial term of the Master Franchise Agreement will expire on June 1, 2027, but may be renewed at our option for two additional 10-year terms, subject to the fulfillment of certain conditions. Domino’s International may also terminate the Master Franchise Agreement upon the occurrence of certain events, such as if we fail to timely make payments or fail to meet certain growth targets, in each case as required by the Master Franchise Agreement.

For more information about our master franchise arrangements, see “Risk factors – we rely significantly on our Master Franchise Agreement with Domino’s International for our business operations”, “Business – Master Franchise Arrangements”, “History, reorganization and corporate structure – Master Franchise Agreement” and “Connected transactions – Master Franchise Arrangements”.

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;
- A pizza-focused menu that is innovative and localized;
- Our unique expertise and leadership in delivery;
- Our technology, which enables a differentiated end-to-end customer experience;
- Our store economic model’s success and replicability;
- Our close relationship with the global Domino’s system; and
- Our seasoned and visionary management team with strong execution capabilities.

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;
- Promote our brand and strengthen customer loyalty;
- Further enhance our technology;
- Strengthen our pizza-focused, value for money menu; and
- Enhance our delivery leadership.

SUMMARY

RISK FACTORS

Our operations involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to [REDACTED] in us and/or the value of your [REDACTED]. See “Risk factors” for details of our risk factors, which we strongly urge you to read in full before making an [REDACTED] in our [REDACTED]. Some of the major risks we face include:

- We incurred net losses during the Track Record Period, will continue to incur net loss in 2022, and may not be able to maintain or increase the sales volume of our existing stores, control our costs and expenses and achieve or maintain profitability in the future.
- Although we have grown rapidly, we cannot assure you that we will continue to grow at the same pace, or at all.
- Opening new stores could adversely affect our financial condition.
- Our business is affected by changes in consumer tastes and dining preferences, and we may not be able to anticipate, identify and react to these changes in a timely manner or at all.
- Our success depends on the awareness and popularity of our Domino’s Pizza brand, and any damage to our brand, whether in our existing markets or new markets, could materially and adversely affect our business and results of operations.
- We are susceptible to outbreak, epidemic or pandemic of infectious or contagious diseases such as the COVID-19 pandemic, diseases of animals, food-borne illnesses as well as negative publicity relating to such incidents.
- Any failure to maintain effective quality control systems of our stores could have a material adverse effect on our business and operations.
- We rely significantly on our Master Franchise Agreement with Domino’s International for our business operations.
- We may in the future incur intangible asset impairment charges. Significant impairment of our intangible assets, which primarily include our master franchise agreement and goodwill, could materially and adversely impact our financial position and results of operations.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our consolidated financial information for the Track Record Period, extracted from the Accountant’s Report set out in Appendix I. The summary of consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this documents, including the related notes. Our consolidated financial information has been prepared in accordance with IFRS.

Summary of Consolidated Statements of Comprehensive Income

	For the Year Ended December 31,						For the six months ended			
	2019		2020		2021		June 30, 2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in RMB thousands, except for percentage data)</i>									
	<i>(Unaudited)</i>									
Revenue	836,629	100.0	1,104,053	100.0	1,611,327	100.0	766,559	100.0	908,789	100.0
Raw materials and consumables cost	(228,065)	(27.3)	(310,505)	(28.1)	(425,580)	(26.4)	(203,574)	(26.6)	(247,193)	(27.2)
Staff compensation expense	(335,873)	(40.1)	(469,224)	(42.5)	(703,458)	(43.7)	(342,589)	(44.7)	(336,908)	(37.1)

SUMMARY

	For the Year Ended December 31,						For the six months ended			
	2019		2020		2021		2021		June 30, 2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in RMB thousands, except for percentage data)</i>									
	<i>(Unaudited)</i>									
Depreciation of right-of-use assets	(98,612)	(11.8)	(128,426)	(11.6)	(162,049)	(10.1)	(76,574)	(10.0)	(90,984)	(10.0)
Depreciation of plant and equipment	(57,737)	(6.9)	(76,932)	(7.0)	(98,656)	(6.1)	(46,859)	(6.1)	(56,673)	(6.2)
Amortization of intangible assets	(36,111)	(4.3)	(40,210)	(3.6)	(43,031)	(2.7)	(20,842)	(2.7)	(23,477)	(2.6)
Utilities expenses	(42,963)	(5.1)	(53,807)	(4.9)	(71,702)	(4.4)	(33,733)	(4.4)	(37,305)	(4.1)
Advertising and promotion expenses	(61,535)	(7.4)	(86,274)	(7.8)	(121,861)	(7.6)	(59,625)	(7.8)	(53,873)	(5.9)
Store operation and maintenance expenses	(53,730)	(6.4)	(75,715)	(6.9)	(101,826)	(6.3)	(48,226)	(6.3)	(57,676)	(6.3)
Variable lease rental payment, short-term rental and other related expenses	(6,875)	(0.8)	(8,146)	(0.7)	(17,975)	(1.1)	(8,698)	(1.1)	(14,231)	(1.6)
Other expenses	(45,034)	(5.4)	(56,332)	(5.1)	(56,988)	(3.5)	(21,992)	(2.9)	(45,211)	(5.0)
Fair value change of financial liabilities at fair value through profit or loss	–	–	(13,933)	(1.3)	(201,300)	(12.5)	(83,384)	(10.9)	(1,079)	(0.1)
Other income	2,421	0.3	15,910	1.4	4,424	0.3	3,134	0.4	19,889	2.2
Other (losses)/gains, net	(3,047)	(0.4)	(6,196)	(0.6)	(1,776)	(0.1)	3,229	0.4	(1,587)	(0.2)
Finance costs, net	(51,018)	(6.1)	(61,940)	(5.6)	(87,671)	(5.4)	(40,941)	(5.3)	(48,218)	(5.3)
Loss before income tax	(181,550)	(21.7)	(267,677)	(24.2)	(478,122)	(29.7)	(214,115)	(27.9)	(85,737)	(9.4)
Income tax (expense)/ credit	–	–	(6,373)	(0.6)	7,059	0.4	8,892	1.2	(9,738)	(1.1)
Loss for the year attributable to owners of the Company	(181,550)	(21.7)	(274,050)	(24.8)	(471,063)	(29.2)	(205,223)	(26.8)	(95,475)	(10.5)

The tables below present breakdowns of our revenue by geographic location, by order placement channel and by dining option during the Track Record Period, in each case in absolute amounts and as a percentage of our total revenue.

	Year ended December 31,						For the six months ended			
	2019		2020		2021		2021		June 30, 2022	
	<i>(in RMB millions, except for percentages)</i>									
Revenue:										
<i>By market</i>										
Beijing and Shanghai	702	83.9%	869	78.7%	1,147	71.2%	554	72.3%	580	63.8%
New growth markets	134	16.1%	235	21.3%	464	28.8%	213	27.7%	329	36.2%
Total	836	100.0%	1,104	100.0%	1,611	100.0%	767	100%	909	100%
<i>By order placement channel</i>										
Our own online channels	270	32.3%	484	43.8%	784	48.7%	362	47.3%	471	51.8%
Third-party channels	442	52.9%	572	51.8%	762	47.3%	376	49.0%	384	42.2%
Offline channels	124	14.8%	48	4.4%	65	4.0%	28	3.7%	54	6.0%
Total	836	100.0%	1,104	100.0%	1,611	100.0%	767	100%	909	100%

SUMMARY

	Year ended December 31,						For the six months ended			
	2019		2020		2021		2021		2022	
	<i>(in RMB millions, except for percentages)</i>									
Revenue:										
<i>By dining option</i>										
Delivery	586	70.0%	822	74.5%	1,180	73.2%	559	72.9%	650	71.5%
Non-delivery	250	30.0%	282	25.5%	431	26.8%	207	27.1%	259	28.5%
Total	836	100.0%	1,104	100.0%	1,611	100.0%	767	100%	909	100%

See “Financial information – Major components of our results of operations” and “Financial information – Year to year comparison of results of operations” for more information.

Non-IFRS Measures

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

The following table sets forth a reconciliation of our Store EBITDA (non-IFRS measure) to the nearest measure prepared in accordance with IFRS, which is store-level operating profit, for the periods indicated. We define store-level operating profit as 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.

	For the year ended December 31,			For the six months	
	2019	2020	2021	2021	2022
	<i>(in RMB thousands)</i>				
Reconciliation of store-level operating profit and Store EBITDA					
Store-level operating profit	36,442	44,679	148,561	71,844	83,325
Add:					
Depreciation of plant and equipment – store level ⁽¹⁾	52,045	71,648	92,680	43,892	54,424
Amortization of intangible assets – store level ⁽²⁾	389	489	994	439	589
Store EBITDA	88,876	116,816	242,235	116,175	138,338

SUMMARY

Notes:

- (1) Depreciation of plant and equipment – store level is calculated based on depreciation of plant and equipment incurred at our stores and central kitchens, and does not include the depreciation of right-of-use assets.
- (2) Amortization of intangible assets – store level is calculated based on amortization of store franchise fees.

The following table sets forth a reconciliation of our adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measures) to the nearest measure prepared in accordance with IFRS, which is net loss, for the periods indicated.

	For the year ended December 31,			For the six months ended	
	2019	2020	2021	June 30,	2022
	<i>(in RMB thousands)</i>				
Reconciliation of net loss and adjusted net loss and adjusted EBITDA					
Net loss for the year ⁽¹⁾	(181,550)	(274,050)	(471,063)	(205,223)	(95,475)
Add:					
Fair value change of financial liabilities at fair value through profit or loss ⁽²⁾	–	13,933	201,300	83,384	1,079
Share-based compensation ⁽³⁾	8,932	33,202	90,821	8,116	12,269
Guarantee fee for bank borrowings ⁽⁴⁾	4,408	16,876	16,126	50,684	(3,338)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Value-added tax additional deductions ⁽⁶⁾	–	–	–	–	(14,218)
Issuance cost of convertible Senior Ordinary Shares ⁽⁷⁾	–	10,226	9,235	1,368	–
Adjusted Net Loss	(168,210)	(199,813)	(143,285)	(61,671)	(83,084)
Add:					
Depreciation and amortization ⁽⁸⁾	93,848	117,142	141,687	67,701	80,150
Income tax expense/(credit) ⁽⁹⁾	–	6,373	(7,059)	(8,892)	9,738
Finance cost ⁽¹⁰⁾	46,610	34,838	62,310	31,457	35,949
Store impairment charge ⁽¹¹⁾	2,221	6,606	4,635	–	–
Adjusted EBITDA	(25,531)	(34,854)	58,288	28,595	42,753

Notes:

- (1) Net loss for the year is recorded as loss for the year attributable to owners of the Company.
- (2) Fair value change of financial liabilities at fair value through profit or loss represents the losses arising from change in fair value to convertible Senior Ordinary Shares. Such changes are non-cash in nature. Upon the [REDACTED], all convertible Senior Ordinary Shares will be automatically converted into ordinary shares which will no longer be recognized as financial liabilities at fair value through profit or loss.
- (3) Share-based compensation represents directors’ compensation, stock appreciation rights and RSUs. Share-based compensation is adjusted for as the items included are non-cash in nature and are not directly correlated with our business performance in a given year.
- (4) Guarantee fee for bank borrowings represents fees associated with the guarantee by Good Taste Limited and James Marshall for the borrowings from a bank by our Group. We have fully repaid the balance of such bank borrowings by the end of March 2022.
- (5) [REDACTED] expenses relate to the [REDACTED] of our company.
- (6) Value-added tax additional deductions relate to COVID-19 related tax subsidies that are one-off in nature.

SUMMARY

- (7) Issuance cost of convertible Senior Ordinary Shares represents the professional expense in connection with our issuance of convertible Senior Ordinary Shares in 2020 and 2021.
- (8) The amount of depreciation and amortization presented represents the depreciation of plant and equipment and the amortization of intangible asset and does not include depreciation of right-of-use assets which approximates the rental expense of capitalized lease contracts.
- (9) Income tax expense/(credit) represents PRC corporate income tax in connection with profits generated by our wholly owned subsidiaries, Dash Beijing and Domino’s Pizza (Ningbo) Co., Ltd., and the recognition of deferred income tax.
- (10) Finance cost represents interest (expense)/income and net foreign exchange (losses)/gains on financing activities, which are not directly correlated with our business performance in a given year.
- (11) Store impairment change represents impairment charge of right-of-use assets, impairment charge of plant and equipment, and impairment charge of intangible assets, which are non-cash in nature.

The following table sets forth a reconciliation of net loss to adjusted net loss, and further to store-level operating profit, for the periods indicated.

	Year ended December 31,			Six months ended	
	2019	2020	2021	June 30, 2021	2022
	<i>(in RMB thousands)</i>				
Reconciliation of net loss and adjusted net loss and adjusted EBITDA					
Loss for the year attributable to owners of the Company	(181,550)	(274,050)	(471,063)	(205,223)	(95,475)
Add:					
Fair value change of financial liabilities at fair value through profit or loss	–	13,933	201,300	83,384	1,079
Guarantee fee for bank borrowings	4,408	16,876	16,126	8,116	12,269
Share-based compensation	8,932	33,202	90,821	50,684	(3,338)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Value-added tax additional deductions	–	–	–	–	(14,218)
Issuance cost of convertible senior ordinary shares	–	10,226	9,235	1,368	–
Adjusted net losses	<u>(168,210)</u>	<u>(199,813)</u>	<u>(143,285)</u>	<u>(61,671)</u>	<u>(83,084)</u>
Income tax expense/(credit)	–	6,373	(7,059)	(8,892)	9,738
Finance cost ⁽¹⁾	46,610	34,838	62,310	31,457	35,949
Store impairment charge	2,221	6,606	4,635	–	–
Corporate overhead ⁽²⁾	157,416	212,995	239,243	117,313	124,807
Other income and other loss, net (excluding store impairment charge)	(1,595)	(16,320)	(7,283)	(6,363)	(4,084)
Store-level operating profit	<u>36,442</u>	<u>44,679</u>	<u>148,561</u>	<u>71,844</u>	<u>83,325</u>

SUMMARY

Notes:

- (1) Finance cost represents interest (expense)/income and net foreign exchange (losses)/gains on financing activities, which are not directly correlated with our business performance in a given year/period.
- (2) Corporate overhead represents staff compensation expense, depreciation and amortization, other expenses, advertising and promotion expenses, depreciation of right-of-use assets, short-term rental and other related expenses, and utilities expenses, in each case at the corporate level.

See “Financial information – Non-IFRS measures” for more information.

Summary of Consolidated Balance Sheets

	As of December 31,			As of
	2019	2020	2021	June 30, 2022
	<i>(in RMB thousands)</i>			
Plant and equipment	283,703	361,617	427,050	432,344
Right-of-use assets	468,445	595,775	637,619	672,445
Intangible assets	1,299,234	1,284,685	1,254,006	1,241,978
Prepayment and deposits	28,022	31,380	31,372	36,041
Deferred income tax assets	–	–	28,606	38,358
Total non-current assets	2,079,404	2,273,457	2,378,653	2,421,166
Inventories	21,090	25,677	36,517	47,217
Trade receivables	2,318	3,630	4,581	4,494
Prepayment, deposits and other receivables	55,871	85,528	84,056	55,353
Cash and cash equivalents	83,657	257,390	656,672	576,944
Restricted cash	817	3,034	2,215	214
Total current assets	163,753	375,259	784,041	684,222
Total assets	2,243,157	2,648,716	3,162,694	3,105,388
Borrowings	65,000	180,000	–	100,000
Financial liabilities at FVPL	–	275,077	784,426	826,886
Lease liabilities	386,491	501,535	540,112	572,081
Other payables	80,462	40,197	31,249	6,891
Total non-current liabilities	531,953	996,809	1,355,787	1,505,858
Borrowings	–	30,000	180,000	–
Lease liabilities	98,503	128,046	141,212	162,941
Trade payables	83,992	73,743	124,696	141,843
Contract liabilities	11,767	17,269	23,210	27,063
Accruals and other payables	179,091	322,291	358,365	401,619
Current income tax liabilities	–	6,373	21,547	14,813
Total current liabilities	373,353	577,722	849,030	748,279
Total liabilities	905,306	1,574,531	2,204,817	2,254,137
Net current liabilities	(209,600)	(202,463)	(64,989)	(64,057)

SUMMARY

	As of December 31,			As of
	2019	2020	2021	June 30, 2022
	<i>(in RMB thousands)</i>			
Net assets	1,337,851	1,074,185	957,877	851,251
Total equity and liabilities	2,243,157	2,648,716	3,162,694	3,105,388
Share capital	576,620	582,677	651,496	651,496
Share premium	854,976	872,366	1,143,738	1,143,738
Other reserves	29,671	16,608	44,006	32,855
Accumulated losses	(123,416)	(397,466)	(868,529)	(964,004)
Shares held for restricted share units (“RSUs”)	—	—	(12,834)	(12,834)
Total equity	1,337,851	1,074,185	957,877	851,251

The decrease in net assets from RMB1.5 billion as of January 1, 2019 to RMB1.3 billion as of December 31, 2019 was mainly attributable to the net loss of RMB181.6 million recorded for the year and the net decrease of RMB1.2 million as a result of the issuance of new shares and the repurchase of ordinary shares during the year.

The decrease in net assets from RMB1.3 billion as of December 31, 2019 to RMB1.1 billion as of December 31, 2020 was mainly attributable to the net loss of RMB274.1 million recorded for the year and the currency translation loss of RMB12.4 million recorded for the year, which were partially offset by the increase of RMB23.4 million as a result of the issuance of new shares.

The decrease in net assets from RMB1.1 billion as of December 31, 2020 to RMB957.9 million as of December 31, 2021 was mainly attributable to the net loss of RMB471.1 million recorded for the year which was partially offset by the increase of RMB277.7 million as a result of the issuance of new shares.

The decrease in net assets from RMB957.9 million as of December 31, 2021 to RMB851.3 million as of June 30, 2022 was mainly attributable to the net loss of RMB95.5 million recorded during the period and currency translation loss of RMB29.2 million recorded during the period.

We have a significant amount of intangible assets, consisting of goodwill, the Master Franchise Agreement, store franchise fees, acquired software and website, and proprietary website and mobile app. Our intangible assets amounted to RMB1.3 billion as of December 31, 2019, 2020 and 2021 and June 30, 2022. We are required to review our intangible assets for impairment on an annual basis or more frequently if events or changes in circumstances indicate evidence of impairment. If the fair value declines, we may need to recognize an intangible asset impairment in the future, which could have a material adverse effect on our financial position and results of operations.

During the Track Record Period, we recorded net current liabilities of RMB209.6 million, RMB202.5 million, RMB65.0 million and RMB64.1 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Each of these net current liabilities positions was primarily the result of our store expansion during the Track Record Period, during which we primarily used our cash generated from operating activities, proceeds from our pre-[REDACTED] investors and borrowings to finance the capital expenditure of such expansion, which mostly translated into non-current assets. Our non-current assets mainly included right-of-use assets, leasehold improvements, machinery and equipment, motor vehicles and intangible assets. As of December 31, 2019, 2020, 2021 and June 30, 2022, the percentage of non-current assets to total assets was approximately 92.7%, 85.8%, 75.2% and 78.0%, respectively. As of August 31, 2022, we had net current liabilities of RMB84.3 million.

SUMMARY

We believe that our net current liabilities position will improve with net cash inflows generated from operating activities once our newly opened stores begin to make profit and with the net [REDACTED] from the [REDACTED]. We plan to continue to improve our net current liabilities position by improving our economies of scale as our store network continues to grow. During the Track Record Period, the Group witnessed sustained improvement in its net current liabilities position. Between December 31, 2020 and December 31, 2021, net current liabilities decreased significantly from RMB202.5 million to RMB65.0 million before further decreasing to RMB64.1 million as of June 30, 2022, primarily as a result of (i) an increase in cash and cash equivalents as a result of fundraising from our Pre-[REDACTED] Investors in 2021, and (ii) the net cash generated from operating activities in 2021 and the six months ended June 30, 2022. Our net current liabilities position could also improve through the use of our unutilized banking facilities when needed, which facilities amounted to RMB100.0 million as of June 30, 2022, with a term of three years from the first drawdown. Assuming we can complete the [REDACTED] in 2022, we believe we will no longer have a net current liabilities position by December 31, 2022. However, we may again have a net current liabilities position if our profitability deteriorates after the [REDACTED].

Notwithstanding the above, our Directors are of the view that we will have available sufficient working capital to meet our present requirements and for at least the next twelve months from the date of this document, taking into account cash on hand and cash at banks, cash generated from operating activities, secured revolving credit facility from a bank in China, the investments from our Pre-[REDACTED] Investors and the estimated net [REDACTED] we expect to receive from the [REDACTED]. We believe that our business operation and financial condition will not be materially and adversely affected by our current liabilities position.

See “Financial information – Discussion of certain key items of consolidated balance sheets” for more information.

Summary of Consolidated Statements of Cash Flow

	For the Year ended December			Six months ended	
	2019	31, 2020	2021	June 30, 2021	2022
	<i>(in RMB thousands)</i>			<i>(Unaudited)</i>	
Selected Consolidated Cash Flow Data:					
Net cash generated from operating activities	124,347	103,543	332,089	157,475	167,573
Net cash used in investing activities	(181,228)	(152,408)	(181,740)	(89,464)	(68,142)
Net cash (used in)/generated from financing activities	(75,007)	233,569	242,985	134,343	(191,216)
Net (decrease)/increase in cash and cash equivalents	(131,888)	184,704	393,334	202,354	(91,785)
Cash and cash equivalents at beginning of year	216,862	83,657	257,390	257,390	656,672
Exchange difference on cash and cash equivalents	(1,317)	(10,971)	5,948	1,957	12,057
Cash and cash equivalents at end of year	83,657	257,390	656,672	461,701	576,944

See “Financial information – Liquidity and capital resources” for more information.

SUMMARY

Key Financial Ratios

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

	Year ended December 31,			Six months ended	
	2019	2020	2021	June 30, 2021	2022
Current ratio ⁽¹⁾	0.44	0.65	0.92	0.86	0.91
Quick ratio ⁽²⁾	0.38	0.61	0.88	0.82	0.85
Gearing ratio ⁽³⁾	5%	20%	19%	22%	12%
Adjusted EBITDA margin (non-IFRS measure) ⁽⁴⁾	(3.1%)	(3.2%)	3.6%	3.7%	4.7%
Store EBITDA margin (non-IFRS measure) ⁽⁵⁾	10.6%	10.6%	15.0%	15.2%	15.2%

Notes:

- (1) The calculation of current ratio is based on current assets divided by current liabilities as of the period end.
- (2) The calculation of quick ratio is based on current assets less inventories divided by current liabilities as of the period end.
- (3) The calculation of gearing ratio is based on total borrowing divided by total equity as of the period end and multiplied by 100%.
- (4) The calculation of adjusted EBITDA margin (non-IFRS measure) is based on adjusted EBITDA (non-IFRS measure) divided by our total revenue for the period and multiplied by 100%.
- (5) The calculation of Store EBITDA margin (non-IFRS measure) is based on Store EBITDA (non-IFRS measure) divided by total revenue for the period and multiplied by 100%. We also calculate Store EBITDA margin for Beijing and Shanghai, as well as our new growth markets. Those calculations are based on Store EBITDA (non-IFRS measure) for the applicable market, less certain unallocated costs, divided by total revenue for the year and multiplied by 100%. For details, see “Financial Information – Non-IFRS measures”.

BUSINESS SUSTAINABILITY

We are a restaurant chain operator built upon a global brand in an early stage of rapid expansion in China. Since 2018, the first full year during which our current chief executive officer and most of our current core executive management team joined our Company, we have experienced a transformational change in terms of our growth strategy and results. In particular, under the leadership of our current chief executive officer, we have (i) added a leadership team with substantial experience in the Chinese catering industry, (ii) adopted tailored localization strategies, (iii) implemented an actionable store expansion plan, (iv) become more focused on a delivery-centric business model, and (v) strengthened our innovation with respect to both our menu and our technology. At the core of this transformational change is our belief that, given the significant whitespace and growth potential of the China pizza market, developing a broad, nationwide store network is key to the long-term success and competitiveness of our business.

Our track record of growth and improving profitability

Under the leadership of our current management team, we have been focused on growing Domino’s Pizza into a national brand in China by opening new stores in existing and new markets, while closely monitoring our profitability at the store level and the group level. As a result, during the Track Record Period, we achieved:

- *Rapid growth of our store network and revenue.* Our nationwide presence grew from five cities at the beginning of 2018 to 12 cities as of June 30, 2022. The total number of our stores increased from 188 at the beginning of the Track Record Period to 468

SUMMARY

as of December 31, 2021, representing a three-year CAGR of 35.5%, and further increased to 508 stores as of June 30, 2022. Our stores have also recorded increasing sales, as demonstrated by our consistently-positive SSSG throughout every quarter of the Track Record Period. This has driven a significant increase in our revenue.

- *Improving store-level profitability.* Our store-level operating profit margin and our Store EBITDA margin (non-IFRS measure) were consistently positive during the Track Record Period. Our store-level operating profit margin improved from 4.4% in 2019 to 9.2% in 2021, and remained at 9.2% in the first half of 2022. Our Store EBITDA margin (non-IFRS measure) was 10.6%, 15.0% and 15.2% in the same periods.
- *Improving group-level adjusted EBITDA.* We saw steady improvement in our adjusted EBITDA (non-IFRS measure) during the Track Record Period, which improved from negative RMB25.5 million in 2019 to positive RMB58.3 million in 2021. Our adjusted EBITA (non-IFRS measure) remained positive in the first half of 2022, and amounted to RMB42.8 million.

Our net loss and adjusted net loss

Despite our rapid growth and our improving profitability, 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. In the same periods, we recorded adjusted net losses (non-IFRS measure) of RMB168.2 million, RMB199.8 million, RMB143.3 million and RMB83.1 million, respectively. These losses were primarily the result of our strategic decision to prioritize the expansion of our store network over immediate bottom-line profitability. Because of this decision, (1) at the store level, our store network has a high proportion of new stores and stores in new growth markets, which are initially unprofitable because it takes time to ramp up their sales and pay back the costs of opening them; and (2) at the corporate level, we made significant investments in our business to support our store network expansion, such as investing in our talent pool for store development, regional store management and IT functions, as well as brand-building activities. These two factors were the reasons for our net losses and adjusted net losses (non-IFRS measure) during the Track Record Period. Each is described in more detail below.

Ramp-up of new stores and new growth markets

During the Track Record Period, we executed on our growth strategies and opened 320 new stores. As a result, as of June 30, 2022, stores that have been opened for three and a half years or less represented approximately 63% of our total stores. In addition, as part of our strategy to build a nationwide store network, we have been focused on expanding in our new growth markets, which are cities other than Beijing and Shanghai. At the end of 2019, 2020, 2021 and the first half of 2022, stores in our new growth markets represented approximately 33%, 39%, 43% and 44%, respectively, of our total stores. The high proportion of new stores and stores in new growth markets contributed to our net loss and adjusted net loss primarily because:

- *Sales in new stores and new growth markets remain in a ramp-up stage.* New stores typically have lower average daily sales per store compared to older stores during an initial ramp-up period. Similarly, stores in new growth markets typically have lower average daily sales per order compared to stores in Beijing and Shanghai. It takes time for these newer stores and new growth market stores to increase their sales to a level that approaches that of older stores and stores in Beijing and Shanghai. For example, stores opened in 2019 generated average daily sales per store of RMB7,415 in 2019, which was less than the group average of RMB10,292 in that year. However, by the first half of 2022, stores opened in 2019 had ramped up, and generated average daily sales per store of RMB11,062, which was similar to the group average of RMB11,462 in the same period. As we strategically accelerated the pace at which we opened new stores during the Track Record Period, we had a larger proportion of stores undergoing ramp-up, and our average daily sales per store was not as high as it would have been if we had opened stores at a slower pace and had a higher proportion of mature stores in our store network. For more information,

SUMMARY

including a tabular breakdown of average daily sales per store by store vintage and by market, see “Business – Our Domino’s Pizza Stores – The operating performance of our Domino’s Pizza stores – Key performance indicators – Average daily sales per store”.

- *New stores take time to achieve cash investment payback.* From a payback perspective, the majority of our stores have not been open for a long enough time to achieve cash investment payback. Our cash investment payback period has been improving, but as most of our new stores have been open for less than three years, they have not been open for long enough to achieve cash investment payback. As of June 30, 2022, approximately 9% of the stores opened during the Track Record Period had achieved cash investment payback. For more information, see “Business – Our Domino’s Pizza Stores – The operating performance of our Domino’s Pizza stores – Initial breakeven and Cash investment payback period of our stores”.
- *New stores have yet to cover their share of corporate-level expenses.* As new stores take time to ramp up sales and achieve cash investment payback as described above, it takes time for these stores to generate sufficient sales to cover their share of corporate-level costs. Although our stores collectively generated sufficient sales to cover their store-level costs and expenses, as demonstrated by our positive and steadily improving Store EBITDA margin (non-IFRS measure) and store-level operating profit during the Track Record Period, the high proportion of new stores in our store network means our stores, on a collective basis, were not yet able to cover their corporate-level costs and expenses.

Corporate-level investments in support of a nationwide store network

During the Track Record Period, we made substantial investments at the corporate level to support the rapid growth of our business and store network such as investing in our talent pool for store development, regional store management and IT functions, as well as brand-building activities. We believe that these corporate-level investments bring benefits shared by all of our stores. However, because our store network has not yet reached the scale and maturity needed to fully cover our corporate-level investments, these investments contributed to our net loss and adjusted net loss (non-IFRS measure) during the Track Record Period.

The corporate-level investments we made in our business are primarily reflected in our corporate overhead, which amounted to RMB157.4 million, RMB213.0 million, RMB239.2 million and RMB124.8 million, representing 18.8%, 19.3%, 14.8% and 13.7% of our revenue, in 2019, 2020, 2021 and the first half of 2022, respectively. During the Track Record Period, the following four items accounted for substantially all of our corporate overhead:

- *Corporate-level cash compensation expenses.* Cash-based compensation expenses for our corporate-level full-time staff amounted to RMB79.3 million, RMB120.0 million, RMB150.0 million and RMB77.9 million, representing 50.4%, 56.3%, 62.7% and 62.4% of our total corporate overhead in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. The majority of these costs were incurred in connection with compensating our store development and regional store management staff and IT and technology staff.
- *Corporate-level depreciation and amortization.* These costs amounted to RMB41.4 million, RMB45.0 million, RMB48.0 million and RMB25.1 million, representing 26.3%, 21.1%, 20.1% and 20.1% of our total corporate overhead in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Corporate-level depreciation and amortization primarily represents (i) the amortization arising from the revaluation of the Master Franchise Agreement in connection with our corporate restructuring in 2017, which amounted to RMB32.0 million in 2019 and 2020, RMB31.8 million in 2021, and RMB15.9 million in the six months ended June 30, 2022, and (ii) the amortization of certain IT-related investments in connection with the enhancement of our digital platform and overall enterprise-level operational efficiency.

SUMMARY

- *Corporate-level advertising and promotion expenses.* These expenses amounted to RMB2.9 million, RM9.0 million, RMB14.5 million and RMB4.6 million, representing 1.9%, 4.2%, 6.1% and 3.7% of our total corporate overhead in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We incurred these expenses primarily in connection with marketing and promoting our brand, as well as additional marketing activities that we undertook as we entered new markets.
- *Corporate-level other expenses.* These expenses amounted to RMB29.0 million, RMB34.2 million, RMB21.6 million and RMB14.8 million, representing 18.4%, 16.1%, 9.0%, and 11.8% of our total corporate overhead, in 2019, 2020, 2021 and the first half of 2022, respectively. The main components of our corporate-level other expenses were (i) recruitment fees, which we paid to recruitment agencies to help us hire talents to support our rapid growth, (ii) marketing survey expenses, which we incurred by engaging market research firms to conduct market surveys to enable us to better understand our brand and our market, and (iii) travelling expenses, which we incurred primarily for our store development team’s travel to onsite locations in support of store openings. See “Financial information – Major components of our results of operations – Other expenses”.

Our path to profitability

While we continue to execute our store growth strategy, we plan to improve our group-level, bottom-line profitability by driving revenues while reducing our costs and expenses. To that end we will primarily pursue four key strategies: we will drive revenues by (i) increasing our revenue per store by ramping up store sales and (ii) increasing the total number of our stores by executing on our store expansion plan. At the same time, we will reduce costs and expenses by (iii) continuing to control store-level costs and expenses to maintain store-level profitability and (iv) reducing our corporate costs as a percentage of revenue by leveraging the upfront corporate-level investments we made in our business.

Upon the successful implementation of the foregoing measures, we believe we are well-positioned to achieve sustainable profitability in the future. We anticipate that, in three to five years, we will have a sufficient number of ramped-up stores to generate the sales needed to cover our corporate overhead and depreciation and amortization expenses arising from the opening of new stores. Our expectation is based on the forecasted pace of our store openings, increase in per-store and aggregate revenue, and reduction of our costs and expenses as a percentage of revenue. Notwithstanding the foregoing, we expect to remain loss-making for at least another three years. Our net losses may increase in absolute amounts in 2022 as compared to 2021 due to (i) the continued expansion of our store network, especially into new cities, (ii) our continued corporate-level investments in support of a nationwide store network, including with respect to our talent pool for store development, regional store management and IT functions, as well as our brand-building activities, and (iii) a one-off increase in share-based compensation in connection with the [REDACTED]. In the longer-term, our future profitability is uncertain and subject to various factors, including our ability to continue to effectively expand our nationwide store network and grow revenues in a cost-effective way and to execute on the strategies described above.

See “Financial information – Business sustainability” for more information.

CONTROLLING SHAREHOLDERS

Immediately after completion of the [REDACTED], Mr. James Leslie Marshall, our non-executive Director and deputy chairman, will be interested in and control [REDACTED]% of our issued Shares in aggregate. Mr. Marshall holds his interest in the Company through Good Taste Limited, a limited liability company incorporated in Bermuda and wholly-owned by Ocean Investments Limited, a limited liability company incorporated in Bermuda the entire interest of which is in turn wholly-owned and managed by a corporate trustee for the benefit of a discretionary family trust in which, Mr. Marshall is the protector, a named person in its discretionary class of beneficiaries and one of the directors of the trustee. Mr. Marshall, Ocean Investments Limited and Good Taste Limited will therefore be the Controlling Shareholders of our Company after the [REDACTED].

SUMMARY

For further details about our Controlling Shareholders, please see “Relationship with the Controlling Shareholders”.

OUR PRE-[REDACTED] INVESTORS

Since the establishment of our Company, we have recently secured Pre-[REDACTED] financing from a number of Pre-[REDACTED] Investors, including Domino’s Pizza LLC, D1 Capital, The Capital Group Companies and Alpha Wave. For further details of the identity and background of the Pre-[REDACTED] Investors, and the principal terms of the Pre-[REDACTED] Investments, see “History, reorganization and corporate structure – Pre-[REDACTED] Investments”.

LEGAL PROCEEDINGS AND COMPLIANCE

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 labour and employment claims. 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.

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.

See “Business – Legal proceedings and compliance” for more information. For more information about the laws and regulations that we are subject to, see “Regulations”.

RECENT DEVELOPMENTS

Selected Operating Data

We continued to expand our store network after the end of the Track Record Period, opening 39 new stores from June 30, 2022 to the Latest Practicable Date, bringing the total number of our stores to 547 as of the same date. In the third quarter of 2022, our SSSG remained positive across all markets, with stronger SSSG in new growth markets.

Impact of the COVID-19 Pandemic

The COVID-19 pandemic has materially and adversely affected the global economy. In response, countries and regions around the world, including China, have imposed widespread lockdowns, closure of workplaces and restrictions on mobility and travel to contain the spread of COVID-19. Since the initial outbreak of COVID-19 and up to the Latest Practicable Date, travel restrictions and quarantine requirements had been imposed from time to time by local governments to counter regional outbreaks, including those of new variants, such as the Delta and Omicron variants. In 2020 and 2021 and the six months ended June 30, 2022, 44, 34 and 329 of our stores closed temporarily for an average of 14, 5 and 28 days, respectively, due to the impact of the COVID-19 pandemic and the related control measures.

In 2022, as a result of the recent outbreak of COVID-19 in certain regions of China, operations at some of our stores in Shanghai, Shenzhen and Beijing have been adversely impacted since mid-March of 2022 as a result of local governments’ implementation of temporary lockdowns and travel restrictions. In April 2022, almost all of our stores in Shanghai were closed, for both dine-in and delivery, as a result of citywide lock-downs. Since mid-April 2022, our stores in Shanghai have gradually been allowed to reopen. As of June 30, 2022, almost all of our stores in Shanghai are operating. In Shenzhen, our stores in the city were closed for one week in March due to a one-week, citywide lockdown. After the lockdown was lifted, our business in Shenzhen returned to normal. In Beijing, all dine-in services were suspended from May 1, 2022 to June 6, 2022 as a result of the COVID-19 control measures imposed by the local government. However, we continue to offer delivery services to our

SUMMARY

customers in Beijing. Due primarily to the impact of the COVID-19 pandemic and related control measures, our revenues in the first half of 2022 were approximately RMB55 million to RMB65 million lower than our management forecasts for the period. In addition to store closures, we are experiencing staff shortages in Shanghai, particularly with respect to riders, because of the heightened health check requirements and citywide lockdown imposed by the local government there. The recent COVID-19 surge in China has also caused supply chain disruptions. Operations at our central kitchen in Shanghai were negatively impacted in April, and it became necessary for us to enlist our central kitchens in Sanhe, Hebei Province and Dongguan, Guangdong province to service stores originally covered by the Shanghai central kitchen, resulting in higher logistics expense. In May 2022, our central kitchen in Shanghai resumed production.

Despite these closures, staff shortages and supply chain disruptions, we did not experience any material increase in our operational costs. Additionally, we received COVID-19 related government grants in 2020, 2021 and the first half of 2022. The total amount of government grants we received, which includes certain exemptions on value-added tax granted by the PRC government authorities and additional COVID-19 government grants granted by the PRC government, was RMB14.4 million, RMB2.8 million and RMB4.3 million in 2020, 2021 and the first half of 2022, respectively.

Despite the adverse impact of the COVID-19 pandemic described above, the COVID-19 pandemic also accelerated the growth in demand for food delivery services. In particular, the restrictions on dine-in and grocery shopping options that were imposed to manage the pandemic accelerated the consumer adoption of food delivery as a regular dining habit, according to the Frost & Sullivan Report. As a delivery-focused company, we benefitted from this trend, as stronger delivery and carryout sales drove the continued growth of our revenue, average daily sales, SSSG and other key performance indicators throughout the Track Record Period.

In general, our business and financial performance has not been materially and adversely affected by COVID-19 or the emergence of new COVID-19 variants, include the Alpha, Beta, Gamma, Delta and Omicron variants. Since the second half of 2020 and up to the Latest Practicable Date, although certain stores had temporarily suspended operations in accordance with local public health guidelines, the temporary suspensions had no material impact on our results of operations or financial performance. For more information, see “Industry overview – China’s catering industry – The impact of the COVID-19 pandemic on China’s catering industry”, “Financial information – Impact of COVID-19 on operations” and “Business – Our Domino’s Pizza stores – The operating performance of our Domino’s Pizza stores”.

No material adverse change

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects of since June 30, 2022, the end of the period reported on in the Accountant’s Report set out in Appendix I to this document.

Net loss in 2022

We expect to incur a net loss in 2022, primarily as a result of our continued store expansion and entry into new markets, the ongoing ramp-up of revenues per store, store-level costs and expenses, and corporate level costs and expense related to investment in our talent pool for store development, regional store management and IT functions, as well as brand-building activities.

SUMMARY

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the [REDACTED] Committee for the granting of the [REDACTED] of, and permission to deal in, the Shares, including (i) the Shares in issue and to be issued pursuant to the [REDACTED] and upon the exercise of the [REDACTED], and (ii) any Shares to be issued pursuant to the Share Incentive Plans. We satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue for the year ended December 31, 2021, being RMB1,611 million, which is significantly over HK\$500 million as required by Rule 8.05(3) of the Listing Rules; and (ii) our expected market capitalization at the time of the [REDACTED], which, based on the low end of the [REDACTED] range, exceeds [REDACTED] as required by Rule 8.05(3) of the Listing Rules.

DIVIDENDS

As advised by our British Virgin Islands legal advisor, under British Virgin Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business and the value of the Company's assets exceeds its liabilities. As we are a holding company incorporated under the laws of the British Virgin Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

Dividend distribution to our shareholders is recognized as a liability in our financial statements in the period in which the dividends are approved by our Board. During the Track Record Period, we did not distribute or declare any dividends. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the BVI Business Companies Act. In addition, our Directors may from time to time pay such interim dividends on shares of our Company outstanding and authorize payment of the same out of the funds of our Company lawfully available.

As advised by our PRC Legal Advisor, in accordance with the Foreign Investment Law of the PRC and the PRC subsidiaries' Articles of Association, appropriations from net profit should be made to the reserve fund and the enterprise expansion fund, after offsetting accumulated losses from prior years, before profit can be distributed to investors. As advised by Maples and Calder (Hong Kong) LLP, our BVI legal advisor, directors of a British Virgin Islands company may only declare a distribution by such company if they are satisfied, on reasonable grounds, that the company will, immediately after the distribution, satisfy the solvency test set out in section 57(1) of the BVI Business Companies Act. A company satisfies the solvency test if the value of its assets exceeds its liabilities and it is able to pay its debts as they fall due.

[REDACTED]

[REDACTED]

SUMMARY

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] EXPENSES

Our [REDACTED] expenses mainly comprise professional fees paid and payable to the professional parties for their services rendered in relation to the [REDACTED] and the [REDACTED]. Based on the mid-point of the [REDACTED] of [REDACTED], the total estimated [REDACTED] expenses in relation to the [REDACTED] are approximately [REDACTED], assuming the [REDACTED] is not exercised, comprising (i) [REDACTED]-related expenses of approximately [REDACTED], including commissions and fees; and (ii) [REDACTED] related expenses of approximately [REDACTED], including (a) fees and expenses of legal advisors and the Reporting Accountant of approximately [REDACTED]; and (b) other fees and expenses of approximately [REDACTED]. Out of the total [REDACTED] expenses, approximately [REDACTED] million has been charged to our consolidated statements of comprehensive income prior to June 30, 2022. We estimate approximately [REDACTED] will be charged to our consolidated statements of comprehensive income and the remaining balance of approximately [REDACTED] million is expected to be accounted for as a deduction from equity upon the completion of the [REDACTED].

SUMMARY

FUTURE PLANS AND USE OF [REDACTED]

Assuming an [REDACTED] of [REDACTED] (being the mid-point of the [REDACTED] range of between [REDACTED] and [REDACTED]), we estimate that we will receive net [REDACTED] of approximately [REDACTED] from the [REDACTED] after deducting the [REDACTED] commissions and other estimated expenses paid and payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised.

In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [REDACTED], or [REDACTED], will be used over the next few years to expand our store network and increase our central kitchen capacity;
- approximately [REDACTED], or [REDACTED], will be used over the next two years to enhance our technology capabilities, with a goal to further improve our operational efficiency and service capabilities to enhance the customer experience; and
- the remaining balance will be used for general corporate purposes.

We estimate that we will receive from the [REDACTED] net [REDACTED], after deducting the [REDACTED] fees and estimated expenses payable by us in connection with the [REDACTED], in the amount as set out in the following table:

	Based on the low-end of the proposed [REDACTED] range of [REDACTED]	Based on the middle-end of the proposed [REDACTED] range of [REDACTED]	Based on the high-end of the proposed [REDACTED] range of [REDACTED]
Assuming the [REDACTED] is not exercised	Approximately [REDACTED]	Approximately [REDACTED]	Approximately [REDACTED]
Assuming the [REDACTED] is exercised in full	Approximately [REDACTED]	Approximately [REDACTED]	Approximately [REDACTED]

To the extent that the net [REDACTED] from the [REDACTED] (including the net [REDACTED] from the exercise of the [REDACTED]) are either more or less than expected, we may adjust our allocation of the net [REDACTED] for the above purposes on a pro rata basis.

To the extent that the net [REDACTED] of the [REDACTED] are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we will only place such funds as short-term deposits with licensed banks and/or authorized financial institutions. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

See “Future plans and use of [REDACTED]” for more information.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in “Glossary of technical terms”.

- “2020 Non-Voting Ordinary Shares”** the redeemable and convertible ordinary shares of our Company with a par value of US\$1.00 per share, having the same rights and privileges as the 2020 Senior Ordinary Shares, but not including any right to vote, as set forth in the Pre-[REDACTED] Shareholders’ Agreement
- “2020 Senior Ordinary Shares”** the redeemable and convertible 2020 senior ordinary shares of our Company with a par value of US\$1.00 per share, of which 16,794,177 2020 senior ordinary shares were in issue as of the Latest Practicable Date and held by Domino’s Pizza LLC, having the rights and restrictions as set forth in the Pre-[REDACTED] Shareholders’ Agreement
- “2021 Non-Voting Ordinary Shares”** the redeemable and convertible ordinary shares of our Company with a par value of US\$1.00 per share, having the same rights and privileges as the 2021 Senior Ordinary Shares, but not including any right to vote, as set forth in the Pre-[REDACTED] Shareholders’ Agreement
- “2021 Plan”** the share incentive plan our Company adopted on January 1, 2021, as amended from time to time, the principal terms of which are set out in “Statutory and general information – Share Incentive Plans” in Appendix IV
- “2021 Senior Ordinary Shares”** the redeemable and convertible 2021 senior ordinary shares of our Company with a par value of US\$1.00 per share, of which 1,306,842 2021 senior ordinary shares were in issue as of the Latest Practicable Date and held by Domino’s Pizza LLC, having the rights and restrictions as set forth in the Pre-[REDACTED] Shareholders’ Agreement
- “2022 Pre-[REDACTED] Plan”** the share incentive plan our Company adopted on September 9, 2022, as amended from time to time, the principal terms of which are set out in “Statutory and general information – Share Incentive Plans” in Appendix IV

DEFINITIONS

“ affiliate(s) ”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“ AFRC ”	the Accounting and Financial Reporting Council
“ Articles ” or “ Articles of Association ”	the articles of association of our Company conditionally adopted on [●] with effect from the [REDACTED] Date, as amended from time to time, a summary of which is set out in “Summary of the constitution of our Company and BVI company law” in Appendix III
“ associate(s) ”	has the meaning ascribed to it under the Listing Rules
“ Audit and risk committee ”	the audit and risk committee of our Board
“ Board ”	the board of Directors of our Company
“ business day ”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“ BVI ”	the British Virgin Islands
“ BVI Business Companies Act ”	the BVI Business Companies Act (No. 16 of 2004) (As Revised) of the British Virgin Islands

[REDACTED]

DEFINITIONS

“China”, “the China mainland”, “mainland China” or “the PRC”	the People’s Republic of China, and for the purposes of this document only, except where the context requires otherwise, references to China, the PRC or the China mainland exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Class A Ordinary Shares”	Class A convertible ordinary shares of our Company with a par value of US\$1.00 per share, of which 39,083,390 Class A ordinary shares were in issue as of the Latest Practicable Date and held by Good Taste Limited, having the rights and restrictions as set forth in the Pre-[REDACTED] Shareholders’ Agreement
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, or “the Company”	DPC Dash Ltd 达势股份有限公司 (formerly known as Dash Brands Ltd.), a business company incorporated with limited liability in the BVI on April 30, 2008
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. James Leslie Marshall, Ocean Investments Limited and Good Taste Limited
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Dash Beijing”	Beijing Pizzavest Fast Food Co., Ltd. (北京達美樂比薩餅有限公司), a company established under the laws of PRC on July 22, 1996

DEFINITIONS

“Dash Cayman”	Pizzavest China Ltd., an exempted company incorporated under the laws of Cayman Islands with limited liability on April 26, 1993
“Dash HQ”	Dash Investment Co., Ltd. (達勢投資有限公司), a company established under the laws of PRC on November 1, 2021
“Dash Shanghai”	Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司), a company established under the laws of PRC on October 25, 2007
“Dash Shenzhen”	Shenzhen Pizzavest Fast Food Co., Ltd. (深圳達美樂餐飲管理有限公司), a company established under the laws of PRC on May 23, 2018
“Director(s)”	the director(s) of our Company
“Domino’s International” or “DPIF”	Domino’s Pizza International Franchising Inc., a Delaware corporation and a subsidiary of Domino’s Pizza, Inc.
“DPZ China”	Dash DPZ China Limited, a company incorporated under the laws of Hong Kong on December 22, 2010
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent professional market research and consulting company
“Frost & Sullivan Report”	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this document

DEFINITIONS

“Frost & Sullivan Survey” a survey conducted by Frost and Sullivan from November 23 to December 28, 2021, whose respondents were 600 consumers residing in Beijing and Shanghai between the ages of 15 to 45 who had purchased from more than 2 pizza brands in the past 6 months

[REDACTED]

“Governmental Authority” any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organisation, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational

[REDACTED]

“Group”, “our Group”, “the Group”, “we”, “us”, or “our” the Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

“HK” or “Hong Kong” the Hong Kong Special Administrative Region of the People’s Republic of China

[REDACTED]

“Hong Kong dollars” or “HK dollars” or “HK\$” Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong Takeovers Code” or **“Takeovers Code”** Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

[REDACTED]

“IAS” International Accounting Standards

“IASB” International Accounting Standards Board

“IFRS” International Financial Reporting Standards, as issued from time to time by the IASB

“Independent Third Party” or **“Independent Third Party(ies)”** any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules

[REDACTED]

DEFINITIONS

[REDACTED]

“Latest Practicable Date”

October 7, 2022, being the latest practicable date for ascertaining certain information in this document before its publication

“Laws”

all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any Governmental Authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions

[REDACTED]

“Listing Committee”

the Listing Committee of the Stock Exchange

[REDACTED]

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Master Franchise Agreement” or “MFA”	the Amended and Restated Master Franchise Agreement by and between Pizzavest China Ltd. and Domino’s Pizza International Franchising Inc., dated June 1, 2017, as amended from time to time
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company conditionally adopted on [●], with effect from the [REDACTED], as amended from time to time
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry)
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOHRSS”	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of our Board
“NPC”	National People’s Congress (全國人民代表大會)

DEFINITIONS

[REDACTED]

“PBOC”	People’s Bank of China
“PRC Legal Advisor”	JunHe LLP, our legal advisor on PRC law
“Pre-[REDACTED] Investment(s)”	the investment(s) in our Company undertaken by the Pre-[REDACTED] Investors prior to this [REDACTED], the details of which are set out in “History, reorganisation and corporate structure – Pre-[REDACTED] Investments”
“Pre-[REDACTED] Investor(s)”	the investors who invested in our Company prior to this [REDACTED], the details of which are set out in “History, reorganisation and corporate structure – Pre-[REDACTED] Investments”

DEFINITIONS

[REDACTED]

“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Reorganization”	the corporate restructuring of the Group in preparation for the [REDACTED], as described in “History, reorganisation and corporate structure – Reorganization”
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the State Administration for Market Regulation of the PRC (中華人民共和國國家市場管理總局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
“SAT”	State Administration of Taxation (國家稅務總局)

DEFINITIONS

“SCNPC”	Standing Committee of National People’s Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
“Senior Ordinary Shares”	the 2020 Senior Ordinary Shares and the 2021 Senior Ordinary Shares
“SFC”	Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Domino’s”	Shanghai Domino’s Food Co., Ltd. (上海達美樂食品有限公司), a company established under the laws of PRC on April 1, 2019
“Share(s)”	ordinary share(s) in our Company, currently with a par value of US\$1.00 each
	Unless otherwise specified, in this document, disclosures of shareholding information of our Company immediately upon the completion of the [REDACTED] are based on the assumptions that (i) the [REDACTED] is not exercised, (ii) no further Shares are issued under the Share Incentive Plans and (iii) each Class A Ordinary Share, 2020 Senior Ordinary Share and 2021 Senior Ordinary Share is converted into one Share of our Company with effect from the [REDACTED]
“Shareholder(s)”	holder(s) of our Share(s)
	[REDACTED]
“Sole Sponsor” or [REDACTED]	Merrill Lynch (Asia Pacific) Limited
	[REDACTED]
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“**subsidiary**” or “**subsidiaries**” has the meaning ascribed to it in section 15 of the Companies Ordinance

“**substantial shareholder(s)**” has the meaning ascribed to it in the Listing Rules

[REDACTED]

“**Track Record Period**” the period comprising the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022

“**U.S. SEC**” the Securities and Exchange Commission of the United States

“**U.S. Securities Act**” United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

[REDACTED]

“**United States**”, “**U.S.**” or “**US**” United States of America, its territories, its possessions and all areas subject to its jurisdiction

“**US dollars**”, “**U.S. dollars**”, “**US\$**” or “**USD**” United States dollars, the lawful currency of the United States

“**VAT**” value-added tax

[REDACTED]

“**%**” per cent

GLOSSARY OF TECHNICAL TERMS

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

“ active users ”	customers who placed an order on our online channels at least once in the past year
“ BRCGS ”	Brand Reputation through Compliance Global Standards, a global brand and consumer protection scheme
“ CAGR ”	compound annual growth rate
“ cash investment payback period ”	the amount of time it takes for the cumulative store operating profit on a cash basis to cover the costs to open a store
“ CDP ”	customer data platform
“ COVID-19 ”	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus
“ EBITDA ”	earnings before interest, taxes, depreciation and amortization
“ ERP system ”	enterprise resource planning system, an integrated management system
“ GDP ”	gross domestic production
“ GFA ”	gross floor area
“ HAACP ”	Hazard Analysis Critical Control Points, a food safety risk management system which focuses on identifying and controlling food safety hazards
“ initial breakeven period ”	the first month for the revenue of a newly opened store to at least equal its operating expenses on a cash basis
“ IT ” or “ I.T. ”	information technology

GLOSSARY OF TECHNICAL TERMS

“ monthly active users ” or “ MAUs ”	the monthly average number of users that placed an order on our online channels during a given period
“ new growth markets ”	with respect to the markets in which we operate, Shenzhen, Guangzhou, Hangzhou, Tianjin, Nanjing, Suzhou, Wuxi, Ningbo, Foshan and Dongguan
“ restaurant chain ”	a catering business model that involves opening a series of restaurants under the same brand
“ SKU ”	stock-keeping unit, a scannable bar code, most often seen printed on product labels in a retail store; the label allows vendors to automatically track the movement of inventory
“ SSSG ”	same-store sales growth, which is the aggregate sales of stores that have been open for no less than 18 months during the period indicated, provided that, if a store was or is closed on the first or last day of the period indicated, then such store’s sales are excluded from the calculation of SSSG
“ Tier 1 Cities ”	for the purpose of this document, Beijing, Shanghai, Guangzhou and Shenzhen
“ New Tier 1 Cities ”	for the purpose of this document, Chengdu, Chongqing, Hangzhou, Wuhan, Xi’an, Suzhou, Tianjin, Nanjing, Zhengzhou, Changsha, Dongguan, Shenyang, Qingdao, Ningbo and Foshan
“ Tier 2 Cities ”	for the purpose of this document, Hefei, Kunming, Fuzhou, Wuxi, Xiamen, Jinan, Dalian, Harbin, Wenzhou, Shijiazhuang, Quanzhou, Nanning, Changchun, Nanchang, Guiyang, Jinhua, Changzhou, Huizhou, Jiaxing, Nantong, Xuzhou, Taiyuan, Zhuhai, Zhongshan, Lanzhou, Taizhou, Shaoxing, Yantai, Weifang and Linyi

FORWARD-LOOKING STATEMENTS

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as “will”, “expect”, “anticipate”, “estimate”, “believe”, “going forward”, “ought to”, “may”, “seek”, “should”, “intend”, “plan”, “projection”, “could”, “vision”, “goals”, “aim”, “aspire”, “objective”, “target”, “schedules”, and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our ability to control costs and expenses;
- our ability to identify and satisfy customer demands and preferences;
- the actions and developments of our competitors;
- general economic, political and business conditions in the markets in which we operate;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate;
- certain statements in “Business” and “Financial Information” with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- all other risks and uncertainties described in “Risk factors”.

FORWARD-LOOKING STATEMENTS

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution [REDACTED] against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

RISK FACTORS

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

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

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

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

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

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

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

RISK FACTORS

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

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

Our future growth in part depends on our ability to open and operate new stores. During the Track Record Period, we experienced rapid growth in the number of stores in our network. From January 1, 2019, the beginning of the Track Record Period, through to June 30, 2022, the end of the Track Record Period, the number of stores in our network grew from 188 to 508, representing an increase of 170%. We have adopted a plan to open 120 and 180 new stores in 2022 and 2023. Our future growth is also partly dependent on our ability to operate our existing stores effectively. We regard same-store sales growth, or SSSG, as a key performance metric that evaluates the operations of our existing stores. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, we achieved SSSG of 7.3%, 9.0%, 18.7% and 13.9%, respectively, and recorded positive SSSG during every quarter in the Track Record Period.

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

- maintain and enhance the quality of our products and services;
- retain existing customers and attract new customers;
- continually increase customer spending and to implement new initiatives to drive sales;
- continually increase same-store sales;
- identify and secure suitable store sites on commercially reasonable terms;
- effectively implement strategic plans to cope with potential deterioration or other changes to the neighborhood characteristics or demographics of the areas surrounding our stores;
- ensure full compliance with relevant laws and regulations, and maintain adequate and effective control, supervision and risk management of our stores;

RISK FACTORS

- obtain adequate funding for the initial setup costs, including for design, renovation, marketing and other costs typically incurred for the opening of a new store;
- manage the overall costs of our operations, such as cost of raw materials, rental and other operating costs, and advertising and promotion expenses;
- accurately estimate consumer demand in existing and new locations and markets;
- maintain good relationships with third-party suppliers and service providers;
- ensure a stable supply of fresh and high-quality food ingredients from reliable suppliers at reasonable prices and manage the inventory and logistics in an efficient manner at our central kitchens and across all of our stores;
- maintain the strength of our brand in existing markets and successfully promote our brand in new markets; and
- recruit, train and retain sufficient staff, such as store managers, kitchen staff and delivery riders.

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

RISK FACTORS

Opening new stores could adversely affect our financial condition.

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

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

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

Our business is affected by changes in consumer tastes and dining preferences, which are constantly changing and difficult to anticipate. We cannot assure you that we can anticipate or react to these changes in a timely manner or at all. During the COVID-19 pandemic, the Chinese government implemented various measures related to restaurants, such as restricting in-store visits, which accelerated the consumer adoption of food delivery as a regular dining habit. If the COVID-19 pandemic gradually eases in China, consumers' dining preferences may

RISK FACTORS

change. If we fail to anticipate, identify and react to the changes in consumer tastes and dining preferences in a timely manner or at all, or if our competitors are able to react to these changes more effectively, we may face reduced consumer traffic, and our business, financial condition and results of operations may be materially and adversely affected.

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

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

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

RISK FACTORS

In addition, the Domino’s Pizza trademark and related intellectual property are owned by Domino’s IP Holder LLC, an affiliate of Domino’s Pizza, Inc., and licensed to us in the China mainland, Hong Kong SAR, China and Macau SAR, China. Beside us, Domino’s International also licenses its trademark and related intellectual property to entities in other international markets. Due to the nature of licensing and our agreements with Domino’s International, our reputation and brand awareness in China are also directly affected by the brand strength of Domino’s Pizza in other international markets. Any material liability claims, litigation, consumers’ complaints, or other negative publicity relating to Domino’s Pizza stores in other international markets, over which we do not have control, may have spillover effects and discourage our customers from ordering from us, resulting in negative impact on our brand image and reputation and ultimately our results of operations.

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

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

The COVID-19 pandemic has materially and adversely affected the global economy. In response, countries and regions around the world, including China, have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of COVID-19. In accordance with local public health guidelines, 30 of our stores suspended operations for a few days in February and March of 2020. In February and March of 2020 and during the second half of March 2022, we experienced temporary staffing shortage at some of our stores as a result of the travel restrictions and quarantine requirements that applied to some of our staff. In 2020, 2021 and the six months ended June 30, 2022, 44, 34 and 329 of our stores closed temporarily for an average of 14, 5 and 28 days, respectively, due to the impact of the COVID-19 pandemic and the related control measures.

RISK FACTORS

In 2022, as a result of the recent outbreak of COVID-19 in certain regions of China, operations at some of our stores in Shanghai, Shenzhen and Beijing have been adversely impacted since mid-March of 2022 as a result of local governments’ implementation of temporary lockdowns and travel restrictions. In April 2022, almost all of our stores in Shanghai were closed, for both dine-in and delivery, as a result of citywide lock-downs. Since mid-April, our stores in Shanghai have gradually been allowed to reopen. As of June 30, 2022, almost all of our stores in Shanghai are operating. In Shenzhen, our stores in the city were closed for one week in March. After the one-week citywide lockdown, our business returned to normal in Shenzhen. In Beijing, all dine-in services were suspended from May 1, 2022 to June 6, 2022, as a result of the COVID-19 control measures imposed by the local government. However, we continue to offer delivery services to our customers in Beijing. Due primarily to the impact of the COVID-19 pandemic and related control measures, our revenues in the first half of 2022 were approximately RMB55 million to RMB65 million lower than our management forecasts for the period. In addition to store closures, we are experiencing staff shortages in Shanghai, particularly with respect to riders, because of the heightened health check requirements and citywide lockdown imposed by the local government there. The recent COVID-19 surge in China has also caused supply chain disruptions. Operations at our central kitchen in Shanghai were negatively impacted, and it became necessary for us to enlist our central kitchens in Sanhe, Hebei Province and Dongguan, Guangdong province to service stores originally covered by our central kitchen in Shanghai, resulting in higher logistics expense. In May 2022, our central kitchen in Shanghai resumed production. Despite these closures, staff shortages and supply chain disruptions, we did not experience a material increase in our operational costs. Additionally, we received COVID-19 related government grants in 2020, 2021 and the first half of 2022. The total amount of government grants we received, which includes certain exemptions on value-added tax granted by the PRC government authorities and additional COVID-19 government grants granted by the PRC government, was RMB14.4 million, RMB2.8 million and RMB4.3 million in 2020, 2021 and the first half of 2022, respectively. For more information on the impact of COVID-19 on our operations, please see “Financial information – Impact of COVID-19 on operations”.

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

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

RISK FACTORS

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

To the extent that the COVID-19 pandemic adversely affects our business and operations, it may also have the effect of heightening many of the other risks described in this “Risk factors” section, such as those relating to our ability to effectively operate our existing stores, acquire new customers and raise sufficient capital on acceptable terms to support our continuous growth. For the years ended December 31, 2020 and 2021, and the six months ended June 30, 2022, we recognized government grants in the amount of RMB14.4 million, RMB2.8 million and RMB4.3 million, respectively. There is no guarantee that the PRC government will continue to grant us subsidies as the COVID-19 pandemic persists.

There are no comparable recent events that provide guidance as to the effect the COVID-19 pandemic may have, and as a result, the ultimate impact of the pandemic is highly uncertain and subject to change. We do not yet know the full extent of its impact on our business, operations or the global economy as a whole. The extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19, the scope and duration of the restricted measures to contain COVID-19 or treat its impact, evolution of variants of the virus and effectiveness of the vaccines, among others. While current and future restricted measures may be relaxed or rolled back if and when the pandemic abates, such measures may be reinstated as the situation continues to evolve. The scope and timing of any such reinstatements are difficult to predict and may materially affect our future operations.

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

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

RISK FACTORS

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

We rely significantly on our Master Franchise Agreement dated June 1, 2017 and the subsequent amendments thereto dated March 27, 2019, May 29, 2019, August 7, 2019, June 8, 2020 and March 24, 2022 with Domino’s Pizza International Franchising Inc., or Domino’s International. This agreement, as amended, provides us with the exclusive right to develop and operate Domino’s Pizza stores and to use and license Domino’s system and the associated trademarks in the operation of the pizza stores in China mainland, Hong Kong SAR, China and Macau SAR, China. The term of the Master Franchise Agreement continues until June 1, 2027 and is renewable at our option for two additional 10-year terms, subject to the fulfillment of certain conditions. Pursuant to the Master Franchise Agreement and Domino’s International Store Operating Standards, we are required to seek approval of Domino’s International for certain matters, such as the design of our store fronts. We cannot guarantee that Domino’s International will not involve themselves in our operating activities in a way that limits our ability to take certain actions or cause a delay in us taking such actions. The Master Franchise Agreement may be terminated by Domino’s International as a result of our breach of the agreement, including, without limitation, due to our bankruptcy, our failure to make royalty fee payments to Domino’s International under the Master Franchise Agreement, our failure to keep the ingredients, supplies and materials used in the preparation, packaging and delivery, confidential and our failure to open the number of new stores as required under the Master Franchise Agreement. Furthermore, if Domino’s International is entitled to terminate the Master Franchise Agreement due to our fault, it may, at its option, either reduce the licensed territory to any area within China as it may determine, or require the assignment to it of any Domino’s Pizza stores controlled by us. Therefore, we may be unable to continue with our business operations as result of termination of the Master Franchise Agreement due to our default, or our inability to renew the Master Franchise Agreement upon expiry of its term. For more information, see “History, reorganization and corporate structure – Master Franchise Agreement”, “Business – Master Franchise Arrangements”, and “Connected transactions – Master Franchise Arrangements – Master Franchise Agreement”.

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

We carry a significant intangible asset balance on our balance sheet. Our intangible assets consist of goodwill, the Master Franchise Agreement, store franchise fees, acquired software and website, and proprietary website and mobile app. As of June 30, 2022, the carrying amount of our intangible assets was RMB1.2 billion. We are required to review our intangible assets for impairment on an annual basis or more frequently if events or changes in circumstances indicate evidence of impairment. The application of an intangible asset impairment test requires significant management judgment. If our estimates and judgment are inaccurate, the fair value determined could be inaccurate and the impairment may not be recognized in a timely manner. If the fair value declines, we may need to recognize intangible asset impairment in the future, which could have a material adverse effect on our financial position and financial results.

RISK FACTORS

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

During the Track Record Period, our net current liabilities continually decreased from RMB209.6 million as of December 31, 2019 to RMB202.5 million as of December 31, 2020, to RMB65.0 million as of December 31, 2021 and further to RMB64.1 million as of June 30, 2022. As of August 31, 2022, we had net current liabilities of RMB84.3 million. Please refer to “Financial information – Discussion of certain key items of consolidated balance sheets” for further details.

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

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

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

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

RISK FACTORS

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

Our ability to acquire new customers and retain existing customers in a cost-effective manner is critical to the continuing growth of our business and our path to profitability. We attract new customers through a combination of marketing content published through online and offline channels, and retain existing customers by encouraging those who are not registered on our app to join our loyalty program, as well as offering our existing customers coupons and other forms of promotions. We also collaborate with third-party ordering platforms to expand our sales channel and acquire new customers. We incurred advertising and promotion expenses of RMB61.5 million, RMB86.3 million, RMB121.9 million, RMB59.6 million and RMB53.9 million for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 7.4%, 7.8%, 7.6%, 7.8% and 5.9% of our total revenue in the same periods. We expect to continue to spend on advertising and promotion activities to attract new customers and retain existing ones. However, we may incur higher advertising and promotion expenses if social media platforms increase their charges on us for the maintenance and promotion of our accounts and content, respectively, or if there is an increase in the market price for utilizing offline marketing campaigns, such as billboards or subway advertising. Also, if the fees charged by third-party ordering platforms increase, our advertising and promotion expenses to revenue generated from these platforms will be higher. There is no guarantee that our customers will stick with us or that the net profits from new customers will outweigh the expense of acquiring them.

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

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

Historically, we have invested significantly in a stack of digitalization and data tools to optimize our business operations and engage our customers. For example, our digitally integrated enterprise resource planning (ERP) system tracks the inventory of our food ingredients and other supplies in our supply chain to help us gauge inventory across the entire supply chain. For more information on the technologies that we use and develop, please see “Business – Our technology and data insights” and “Business – Supply chain management – Digitalization and automation”. As part of our business strategy, we intend to continue investing in the development of our technology infrastructure. We cannot assure you that our investments in technology will generate sufficient returns or have the expected effects on our business operations, if at all. If our technology investments do not meet expectations for the foregoing and other reasons, our prospects may be materially and adversely affected.

RISK FACTORS

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

The ability to source quality food ingredients at competitive prices in a timely manner is crucial to our business. Our ability to maintain consistent quality of food and maintain our menu offerings across our stores depends in part upon our ability to acquire quality food ingredients from reliable sources that meet our quality specifications in sufficient quantities. In 2019, 2020, 2021 and the six months ended June 30, 2022, the amount of purchases from our five largest suppliers in aggregate accounted for approximately 27.2%, 28.5%, 29.6% and 34.1% of our total purchases, respectively. There can be no assurance that we will be able to maintain business relationships with our key suppliers.

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

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

We rely on our central kitchens to supply a majority of our semi-processed or processed food ingredients used in our stores. As of the Latest Practicable Date, we have three central kitchens that serve our stores across the 12 cities in which we operate. For more information on our central kitchens, please see “Business – Supply chain management – Our central kitchens”. Any disruption of operations at our central kitchens, such as electricity or water suspensions, or closure due to quarantine or disinfection measures, may affect our ability to distribute food ingredients to our stores in a timely manner, or at all, which may disrupt our stores’ ability to serve certain menu items or operate at all, whether temporarily or on a permanent basis. If we temporarily choose third-party suppliers to supply semi-processed or processed food ingredients due to such interruption, our operating costs may increase and we may not be able to maintain consistent food quality due to the short notice of such replacement measure. Alternatively, if we remove certain menu items from our store offerings, we may experience reduction in revenue and our brand value may suffer, resulting in adverse effect on our business and results of operations.

RISK FACTORS

We may be subject to inventory obsolescence risk.

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

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

In accordance with the PRC laws and regulations, we are required to hold various approvals, licenses and permits in order to operate our stores and our central kitchens. Each of our stores in the PRC is required to obtain an operation license issued by relevant Chinese government departments, and should carry out catering business within the business scope of the operation license. In addition, our stores are also subject to various regulations, which affect various aspects of our businesses in the cities where we operate, including but not limited to fire safety, food hygiene, environmental protection and control on indoor smoking. Each of our stores is required to obtain various licenses and permits in accordance with these regulations or carry out record filing procedures. Most of the licenses are subject to examinations or verifications by relevant authorities while some of the permits are valid only for a certain period of time and subject to renewal and accreditation. We may incur substantial cost in order to comply with government regulations, and any non-compliance may expose us to liability. We may be subject to fines, confiscation of income from relevant stores and termination of the operation of such existing or new stores lacking the required licenses and permits, or subject to suspension of sales of certain products in accordance with the relevant laws and regulations if we fail to deal with non-compliance events, to the extent that they occur, in a timely manner. We may also experience negative publicity arising from such non-compliance with government regulations that negatively impacts our brand and reputation. The occurrence of any one or more of the aforementioned events may have a material adverse impact on our businesses and results of operations. Please see “Regulations – Overview of PRC laws and regulations – Laws and regulations relating to the licenses and permits” and “Regulations – Regulations relating to fire prevention”.

RISK FACTORS

PRC laws and regulations relating to food and catering industry change rapidly and may vary in terms of implementation in different regions. Following the issuance of the amended Fire Prevention Law and the subsequent Notice on the Full Implementation of the Notification and Commitment Management of Public Assembly Place Fire Safety Inspections before Commencement of Operations (關於貫徹實施新修改《中華人民共和國消防法》全面實行公眾聚集場所投入使用營業前消防安全檢查告知承諾管理的通知), Beijing Fire and Rescue Force requires all public assembly places in Beijing, regardless of property sizes, to obtain Fire Safety Inspection Approvals before beginning their operations since July 26, 2021. This regulatory change had caused us to incur extra time and costs in opening new stores. As of the Latest Practicable Date, a total of four stores, or approximately 0.7% of the total number of our stores as of the Latest Practicable Date, had not obtained the requisite Fire Safety Inspection Approvals. Although we had submitted the applications for Fire Safety Inspection Approvals for these stores, the processing had been prolonged due to the COVID-19 pandemic control measures. We cannot assure you that our applications will be approved in a timely manner or at all, and we may be subject to fines or be required to cease the operations of these stores for the lack of such Fire Safety Inspection Approvals, although we had not received any such notices or warnings during the Track Record Period and up to the Latest Practicable Date.

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

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

During the Track Record Period, we engaged third-party employment agencies to hire dispatch workers. According to the Labor Contract Law of the PRC and the Interim Provisions on Labor Dispatch, the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers). During the Track Record Period, we hired dispatched workers through dispatch agencies for several of our subsidiaries, and the number of our dispatched workers exceeding the 10% legal threshold was 41, 112, 259 and 287 in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. As of the Latest Practicable Date, the relevant subsidiary had reduced the number of the dispatched workers to below the 10% legal limit, and none of our subsidiaries had received any notice or been subject to any administrative penalties or other disciplinary actions in relation to labor and social security from the relevant authorities. Although the relevant subsidiary has not received any notice of warning or been subjected to any administrative penalties or other disciplinary actions from the relevant PRC authorities, we cannot assure you that the relevant PRC authorities will not take actions against the relevant subsidiary for its past practice that may adversely affect our business, profitability and reputation.

RISK FACTORS

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

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

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

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

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

Our food quality is partly dependent on the quality of the raw materials and food ingredients provided by the suppliers. Our failure to discover the defects in the supply during our operation may lead to liability claims, complaints and negative publicity, a decrease in the customer traffic of our stores, the penalty by relevant authorities, and potential civil liabilities. If we face food safety claims due to contaminated or other defective raw materials, food ingredients and other goods from suppliers, we may try to seek compensation from the relevant suppliers. However, the compensation terms of our supply contracts may not be sufficient to cover loss of profits and indirect or joint losses. If the claim against the supplier is not

RISK FACTORS

established, or we are unable to recover the amount of the claim from the supplier, we may have to bear such losses and compensation by ourselves. Any of these events could adversely affect our reputation, results of operations and financial condition.

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

Our businesses, financial positions, results of operations and development prospects are affected, to a significant extent, by the macroeconomic conditions in China and across the globe as well as by the economic conditions specific to our businesses. The activity level of the global economy, markets, consumers and businesses are influenced by many factors beyond our control. We generated all of our revenues from our store operations in China during the Track Record Period, the performance of which is closely related to the macroeconomic conditions of China. The growth of the Chinese economy has slowed down in recent years as compared to the previous years. According to National Bureau of Statistics of China, China’s real GDP growth rate was 6.8% in 2017 and decreased to 6.6% in 2018 and 6.0% in 2019. As a result of the COVID-19 pandemic, in 2020, China’s real GDP growth rate was 2.3%. An economic downturn, whether actual or perceived, a further decrease in the economic growth rates or an uncertainty in the economic outlook in China or any other places where we operate may have a material adverse impact on consumer expenditure. In 2019, 2020 and 2021, the average sales value per order at our stores was RMB80.4, RMB85.1 and RMB90.5, respectively. In the six months ended June 30, 2021 and 2022, the average sales value per order at our stores was RMB89.0 and RMB95.1, respectively. Any deterioration of the Chinese economy, contraction of consumer expenditure on food, fear of a recession and decrease in consumer confidence may lead to reduction in the number of orders placed at our stores and through digital channels and the average sales value per order, which could materially and adversely affect our business, financial condition and results of operations. In addition, the monetary and fiscal policies imposed by the Chinese government in response to the COVID-19 pandemic may lead to growth in the money supply and accordingly inflation. If the amounts we charge our customers go up at a rate that is insufficient to compensate for the rise in our costs, our business may be materially and adversely affected.

Our results of operations may fluctuate due to seasonality.

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

RISK FACTORS

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

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

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

As of the Latest Practicable Date, with respect to 16 out of our 554 leased properties in China, the lessors of such properties had still not provided us valid title certificates, or relevant proofs evidencing the legality of the construction of the leased properties, despite the proactive requests we previously made. The 16 leased properties have an aggregate GFA of 2,799.62 square meters, representing 2.99% of the total GFA of our leased properties in China. As advised by our PRC Legal Advisor, if the leased properties were deemed by competent government authorities as illegal constructions under relevant PRC laws and regulations, the relevant lease agreements would be invalid, and as a result, we may be required to vacate from the relevant properties and relocate our stores. In this event, our operation of stores in such properties may be impaired and we may not be adequately indemnified by the landlords for our related losses. Also, we will incur additional costs in relocating our stores to other suitable locations, thus affecting our business and financial condition. Furthermore, in the event that any lessor's right to lease was challenged by any party with third-party interests, or if some of our leased properties were challenged by competent government authorities because of the inconsistency between actual usage and prescribed usage in the title documents or due to the lack of construction completion that proves our ability to use, our occupation or lease of such properties is likely to be adversely affected.

RISK FACTORS

Under PRC law, all lease agreements are required to be registered with the local land and real estate administration bureau. However, the enforcement of this legal requirement varies depending on the local regulations and practices. As advised by our PRC Legal Advisor, the relevant local housing authorities may require us to complete the registration process within the prescribed period, and we may be subject to penalties of RMB1,000 to RMB10,000 as a result of a delay in filing for each of such properties. As of the Latest Practicable Date, the lease agreements with respect to 501 out of 554 of our leased properties have not been registered with the relevant PRC government authorities. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. See “Business – Properties and facilities”.

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

All of our stores are located in leased properties. Our rental expenses mainly include the depreciation charge of capitalized lease incurred by long-term leased properties for operating our stores and variable lease rental payment, short-term rental and other related expenses. In 2019, 2020, 2021 and the six months ended June 30, 2022, our rental expenses amounted to RMB105.5 million, RMB136.6 million, RMB180.0 million and RMB105.2 million, representing 12.6%, 12.4%, 11.2% and 11.6% of our total revenue for the corresponding period, respectively. As our depreciation of right-of-use assets and other rents and related fees are a considerable part of our total operating expenses, if the rental expenses for our stores increase significantly, our financial condition may be adversely affected.

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

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

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

RISK FACTORS

and damaging our reputation. Fires, floods, earthquakes and terrorist attacks may lead to evacuations and other disruptions in our operations, which may also prevent us from providing quality food and service to consumers for an indefinite period of time, thereby affecting our business and damaging our reputation. Any such event could materially and adversely affect our business operations and results of operations.

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

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

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

These and other events may lead to the temporary or prolonged inaccessibility of our proprietary app and website and our mini program on social media platforms, interruption of our supply chain and delivery, leakage or permanent loss of customer data, interruptions or decreases in connection speed, or other events which would affect our operations. If we experience frequent or persistent service disruptions, whether caused by failures of our own systems or those of third-party platforms, we may not be able to consistently produce high quality food, make timely deliveries and provide a simple and convenient online ordering

RISK FACTORS

experience to our customers. Hence, our customer satisfaction may be significantly undermined, our reputation or relationships with our customers may be damaged and as a result, our customers may shift away from us and purchase food and beverages from our competitors, which may have a material adverse effect on our business, financial condition and results of operations.

The determination of the fair value changes and impairment of certain of our assets and liabilities requires the use of estimates that are based on unobservable inputs, and therefore inherently involves a certain degree of uncertainty.

We have issued to investors convertible senior ordinary shares. For more information about the terms of convertible senior ordinary shares including their conversion rights and redemption features, see Note 25 to the Accountants’ Report set out in Appendix I to this document. We designate convertible senior ordinary shares as financial liabilities at FVPL. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our fair value change of financial liabilities at FVPL was nil, a loss of RMB13.9 million, a loss of RMB201.3 million, a loss of RMB83.4 million and a loss of RMB1.1 million, respectively. See the Consolidated Statements of Comprehensive Income set out on page I-4 of Appendix I to this document. We use significant unobservable inputs, such as revenue growth rate, pre-tax discount rate, terminal growth rate and volatility, marketability, risk-free interest rate, expected rate of return and discount rate, in valuing of our convertible senior ordinary shares. The fair value change of convertible senior ordinary shares may significantly affect our financial position. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such liabilities. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of financial condition.

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

We recorded deferred tax assets of nil, nil, RMB28.6 million and RMB38.4 million as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. We periodically assess the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, in view of factors beyond our control, such as general economic conditions and the ongoing development of the COVID-19 pandemic, there is no assurance that our expectation of future earnings will be accurate. Should our expectation of our future earnings prove to be inaccurate, we may not be able to recover our deferred tax assets which thereby could have an adverse effect on our results of operations.

RISK FACTORS

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

We may not be able to fulfil our obligation in respect of the contract liabilities which may impact our cash position. We recorded contract liabilities of RMB11.8 million, RMB17.3 million, RMB23.2 million and RMB27.1 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Our contract liabilities mainly arise from the customer loyalty scheme and coupons for compensation of late delivery, both of which can be used in future consumptions in the stores and cannot be recognized as revenue. We may fail to fulfil our obligations under our contracts with customers for various reasons beyond our control, which may significantly damage our reputation and brand image, and divert potential customers.

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

We may encounter difficulties in collecting rental deposits from our lessors. During the Track Record Period, all of our restaurants premises were operated on leased properties and a large amount of rental deposits need to be paid. Since we lease all of the properties for our restaurant operations, we are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs. We generally enter into long-term leases of approximately 1 to 10 years with an option to renew for our restaurants. Rent under a substantial majority of our leases is fixed amounts and subject to incremental increases every two to three years as stipulated in the lease agreement. We renegotiate the terms and conditions, such as rent, when renewing substantially all of our leases. As a result, we may face risk in terms of recollecting our deposits if closure or demolition takes place on any of the properties housing our stores. Although our management’s estimation and the related assumptions have been made in accordance with the information currently available to us, such estimation or assumptions may need to be adjusted if new information becomes known. In the event that the actual recoverability is lower than expected, or that our past provision for impairment of prepayments and other receivables becomes insufficient in light of the new information, we may need to make more provision for impairment, which may in turn materially and adversely affect our business, financial condition and results of operations. As of June 30, 2022, the carrying amount of our prepayments and other receivables was RMB13.0 million.

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

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

RISK FACTORS

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

Our food delivery business partly depends on the performance of and our long-term relationships with third-party channels. We allow our products to be listed on and ordered through their online platforms. If we fail to extend or renew the agreements with these ordering channels on acceptable terms, or at all, our business and results of operations may be materially and adversely affected. In addition, any increase in the fees charged by the third-party channels could negatively impact our operating results.

In 2021 and the six months ended June 30, 2022, approximately 98.3% and 99.4% of our gross revenues (before the deduction of value-added tax) were generated by orders placed on either (i) our own online channels that were settled through digital payment methods, including Alipay, Weixin Pay, UnionPay and other digital payment methods or (ii) third-party channels. See “Business – Settlement and cash management” for a detailed breakdown. Therefore, the ability to accept digital payments through our own online channels or third party channels is critical to our business. We accept payments through third-party payment service providers, such as WeChat Pay, Alipay and Union Pay. If we fail to extend or renew the agreements with these mobile payment processors on acceptable terms or if these payment service providers are unwilling or unable to provide us with payment service or impose onerous requirements on us in order to access their services, or if they increase the fees they charge us for these services, our business and results of operations could be harmed. Furthermore, to the extent we rely on the systems of the third-party payment service providers, any defects, failures and interruptions in their systems could result in similar adverse effects on our business.

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

We collect, process and store significant amount of data concerning our customers, business partners and employees, including personal and transaction data involving our customers. We also rely on our computer systems and network infrastructure across our operations to conduct and monitor the daily operations of our stores, such as food production and food delivery, and to collect accurate up-to-date financial and operating data for business analysis. Substantially all of our sales are completed digitally, which makes our business operations dependent on the continued maintenance and enhancement of our computer systems and network infrastructure. Our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial-of-service or other interruption to our business operations. In cases of ransomware attacks, we may be asked to make a large

RISK FACTORS

lump-sum payment in order to resume the operation of our system, which may materially and adversely impact our brand and financial condition. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we may be unable to anticipate, or implement adequate measures to protect against, these attacks.

Advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining such confidential or private information we hold as a result of our customers' visits to our website and use of our mobile application and mini program. Such individuals or entities obtaining our customers' confidential or private information may further engage in various other illegal activities using such information. In addition, we have limited control or influence over the security policies or measures adopted by third-party logistics and payment service providers. Any negative publicity on our website's, mobile application's, or mini program's safety or privacy protection mechanisms and policies, and any claims asserted against us or fines imposed upon us as a result of actual or perceived failures, could have a material and adverse effect on our public image, reputation, financial condition and results of operations. We cannot assure you that breaches of information security measures will not occur in the future. Any compromise of our information security or the information security measures of third-party service providers could have a material and adverse effect on our reputation, business, prospects, financial condition and results of operations.

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

RISK FACTORS

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

In recent years, government authorities across the world have been increasingly focusing on privacy and data protection. In particular, the Chinese government has enacted a series of laws and regulations on the protection of personally identifiable data in the past few years. The laws and regulations regarding privacy and data protection are generally complex and evolving, with uncertainty as to the interpretation and application thereof. As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. For example, in August 2022, we were the subject of a notice (the “Notice”), issued by the relevant authorities in connection with certain issues relating to our app operations. As of the date of this document, we have taken immediate rectification measures to ensure compliance with the relevant laws and regulations according to the Notice, and we have not been subject to any administrative penalties in relation to data and personal information protection. Additionally, the effectiveness of our privacy and data protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyberattacks. If we are unable to comply with the then-applicable laws and regulations, or to address any privacy and data protection concerns, such actual or alleged failure could damage our reputation, deter current and potential customers from ordering from us and could subject us to significant legal, financial, and operational consequences.

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

RISK FACTORS

Since we offer our products and services to end customers through online channels, our operations may fall under the purview of laws and regulations governing the collection and processing of personal information, pursuant to which we may be deemed to be Internet service providers. Internet service providers are also required to establish and publish their rules relating to personal information collection or use, keep any collected information strictly confidential and take technological and other measures to maintain the security of such information.

In addition, on June 10, 2021, the Standing Committee of the National People’s Congress issued the Data Security Law (《數據安全法》) to regulate data processing activities and security supervision in the PRC, which took effect on September 1, 2021. The Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. Any organizational or individual data processing activities that violate the Data Security Law shall bear the corresponding civil, administrative or criminal liabilities depending on specific circumstances. On December 28, 2021, the Cyberspace Administration of China (the “CAC”) adopted the updated Cybersecurity Review Measures (《網絡安全審查辦法》), which came into effect on February 15, 2022. Pursuant to the updated Cybersecurity Review Measures, if a critical information infrastructure operator (the “CIIO”) purchases internet products and services, or an internet platform operator carries out data processing activities, which implicate or might implicate national security, such operators should be subject to cybersecurity review by the Cybersecurity Review Office of the CAC. Due to the lack of further interpretations, the exact scopes of “CIIO” and “internet platform operator” under the updated Cybersecurity Review Measures remain unclear. On March 4, 2022, our PRC Legal Advisor and the Sole Sponsor’s PRC Legal Advisor together made a telephone consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the “CCRTCC”), the department responsible for accepting applications for cybersecurity review and conducting formality review under the guidance of Cybersecurity Review Office of the CAC, and based on the results of this consultation, we are not required to initiate a submission for cybersecurity review in connection with the [REDACTED] under the updated Cybersecurity Review Measures. On November 14, 2021, the CAC publicly solicited opinions on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “Draft Data Security Regulations”), which requires data processors to comply with certain requirements during their daily operation and further stipulates that data processors shall apply for cybersecurity reviews in certain situations including any data processor intending to be listed in Hong Kong that affects or may affect national security. However, the Draft Data Security Regulations does not specify what constitutes “affects or may affect national security”, and the PRC government authorities may have broad discretions in the interpretation of “affects or may affect national security”. For detailed information, please refer to “Regulations – Overview of PRC laws and regulations – Regulations relating to information security and data protection”. As of the Latest Practicable Date, the Draft Data Security Regulations has not been formally adopted. We cannot guarantee whether we will be subject to the cybersecurity review or if new rules or regulations promulgated in the future will impose additional compliance requirements on us.

RISK FACTORS

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

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

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

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

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

RISK FACTORS

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

We depend in large part on the Domino’s Pizza brand and believe that it is very important to our business. Domino’s International, which has licensed to us the right to use the Domino’s trademarks and logo pursuant to the Master Franchise Agreement and related Trademark License Agreement, relies on a combination of trademarks, service marks and similar intellectual property rights to protect its brand and branded products. The success of our business depends, in part, on our continued ability to use the existing Domino’s trademarks and service marks in order to increase brand awareness. Although Domino’s International has registered or in the process of registering each of its trademarks and logos that distinguish its products for trade mark protection in the PRC and other relevant jurisdictions, the actions taken by us or Domino’s International may be inadequate to prevent imitation of the Domino’s Pizza brand and concepts by others. If the efforts to protect this intellectual property prove to be inadequate, the value of the Domino’s Pizza brand could be harmed, which could adversely affect our business, results of operations and financial condition. Furthermore, if in the sole discretion of Domino’s International, if it becomes advisable at any time for our Company to discontinue or modify use of any of the marks or use one or more additional or substitute marks, our Company will have to agree to do so and the sole obligation of Domino’s International in such event shall be to reimburse our Company for our tangible costs of complying with the aforesaid obligation. If Domino’s International withdraws its mark, we will not be able to make use of the Domino’s mark or logo in connection with our business and consequently, we may be unable to capitalize on the brand recognition associated with the same. Accordingly, we may be required to invest significant resources in developing a new brand.

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

In the past, we have found that certain third parties used or imitated our trademarks or trade names without our authorization to operate stores. Such unauthorized use of our trademarks, trade names and trade secrets by third parties may damage our reputation and brand. If the operation activities of third parties who used or imitated our trademarks or trade names without our authorization result in adverse impacts on our customers, we may be associated with negative publicity as a result. Preventing trademark and trade name infringement and trade secret misappropriation in China is difficult, costly and time-consuming. In the future, we may, from time to time, institute litigation to protect and enforce our trademarks and other intellectual property rights, and to protect our trade secrets. Such

RISK FACTORS

litigations could result in substantial costs and shift of resources, which could negatively affect our sales, financial condition and prospects. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving, which could involve substantial risks to us. Even if any such litigation is ruled in our favor, we may not be able to successfully enforce the judgment and remedies awarded by the court and such remedies may not be adequate to compensate us for our actual or anticipated losses, whether tangible or intangible.

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

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

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

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

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

In addition, we may be unaware of intellectual property registrations or applications relating to our business that may give rise to potential objection against the registration of trademarks associated with our brand or even infringement claims against us. As a result, we

RISK FACTORS

may fail to successfully register our trademarks or face claims of infringement of third parties’ intellectual property rights. We cannot assure you that we will not be subject to trademark litigation or disputes in the future.

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

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

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

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

We engage some delivery riders to support our delivery service through third-party delivery service providers (“**Delivery Service Providers**”) on an as-needed basis. These outsourced riders primarily help us maintain a sufficient and flexible level of riders during period of high demand. During the Track Record Period, we entered into agreements with the Delivery Service Providers, but we did not have any direct labor contract relationship with the

RISK FACTORS

outsourced personnel, and therefore may not have sufficient control over the outsourced personnel. See “Business – Employees” for details. If any of the outsourced riders fails to follow the instructions, policies and business guidelines formulated by Delivery Service Providers in accordance with our requirements, our market reputation, brand image and results of operations may be materially and adversely affected. Therefore, we may assume legal liability and economic losses, and our reputation, brand image, financial position and results of operations may be materially and adversely affected.

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

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

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

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

RISK FACTORS

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

Staff costs are one of the major costs of our business. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our store-level salary-based expense amounted to RMB247.6 million, RMB316.0 million, RMB462.6 million, RMB217.9 million and RMB262.3 million, representing 29.6%, 28.6%, 28.7%, 28.4% and 28.9% of our total revenue, respectively.

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

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

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

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

We cannot assure you that there will not be any instances of fraud, theft and other misconduct involving employees, customers and other third parties that may have a material adverse impact on our business and results of operations in the future. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

RISK FACTORS

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

We adopted share incentive schemes for the benefit of our employees as remuneration for their services provided to us and to incentivize and reward the eligible persons who have contributed to the success of our Company. For details, see “Statutory and general information – Share Incentive Plans” in Appendix IV. We also pay share-based compensation to Directors as directors’ service fee. For details of our share-based compensation, see “Financial information – Major components of our results of operations – Staff compensation expense”. To further incentivize our employees to contribute to us, we may pay additional share-based compensation in the future. Issuance of Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

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

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

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

In 2020 and 2021, we issued 8,651,546 and 9,449,473 fully paid convertible Senior Ordinary Shares, respectively. For further information regarding our convertible Senior Ordinary Shares, see “History, reorganization and corporate structure – Pre-[REDACTED] Investments”. The convertible Senior Ordinary Shares were recorded as financial liability at fair value though profit and loss on our consolidated financial statements. Upon the [REDACTED], all convertible Senior Ordinary Shares will be converted into ordinary shares. The fair value of the convertible Senior Ordinary Shares was principally developed through the application of discounted cash flow model and equity allocation, considering the key assumptions of revenue growth rate, pre-tax discount rate, terminal growth rate and volatility.

RISK FACTORS

The fair value change of the convertible Senior Ordinary Shares may significantly affect our financial position and results of operations. Accordingly, determination of the fair value requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty.

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

RISKS RELATED TO DOING BUSINESS IN CHINA

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

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

RISK FACTORS

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

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

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

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

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

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

RISK FACTORS

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

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

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

RISK FACTORS

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

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

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

RISK FACTORS

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

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

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

RISK FACTORS

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

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

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

RISK FACTORS

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

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) (the “**July 6 Opinion**”), which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. As of the Latest Practicable Date, due to the lack of further clarifications or detailed rules and regulations, there are still uncertainties regarding the interpretation and implementation of the July 6 Opinion. We cannot guarantee that new rules or regulations promulgated in the future pursuant to the July 6 Opinion will not impose any additional requirement on us.

Furthermore, on December 24, 2021, the CSRC, jointly with relevant departments under the State Council, published the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) (the “**Administration Provisions**”), as well as the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the “**Administrative Measures**”), which are open for public consultation. The Administration Provisions mainly stipulate a filing-based regulatory system that covers both direct and indirect overseas offering and listing. The Administrative Measures provide, among others, the scope of activities subject to the filing requirement, the entities subject to filing obligations, and the filing procedures. The scope of activities subject to the filing and reporting requirement includes making an application for initial public offering in an overseas market and making securities offering after having been listed in an overseas market. The entities subject to filing obligations refer to issuers (a) whose domestic operating entity generated more than 50% of the total assets, net assets, revenues or profits as shown in the issuer’s audited consolidated financial statements in the most recent accounting year, and (b) whose senior management in charge of business operation and management are mostly Chinese citizens or have domicile in China, and whose main places of business are located in China or main business activities are conducted in China. Although there are different interpretations as to whether the two conditions should be satisfied at the same time, given that our domestic operating entity generated 100% of our total revenue as shown in our audited consolidated financial statements for the year ended December 31, 2021, and that our senior management are mostly Chinese citizens and our business activities are mainly conducted in China, we are mostly likely to be subject to the filing obligations as contemplated in the Administrative Measures. In addition, pursuant to the Administrative Measures, the CSRC will, within 20 working days after receiving filing documents that are deemed complete and in compliance with stipulated requirements, issue a filing notice thereof and publish the filing results on the CSRC website. As of the Latest Practicable Date, neither the Administration Provisions nor the Administrative Measures have been finalized. If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements for this

RISK FACTORS

[REDACTED] or future capital raising activities, it is uncertain whether we can or how long it will take us to obtain such approval or complete such procedures, and, even if we obtain such approval, the approval could be rescinded. Any failure to obtain or delay in obtaining such approval or completing such procedures for this [REDACTED] or future capital raising activities, or a rescission of any such approval obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on our operations in the PRC, limit our ability to pay dividends outside of the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the [REDACTED] from this [REDACTED] or future capital raising activities into the PRC, or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the [REDACTED] of our Shares. In addition, if the CSRC or other regulatory authorities in the future promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for this [REDACTED] or future capital raising activities, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and the [REDACTED] of our Shares.

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

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

Pursuant to the Announcement of STA on Several Issues Concerning Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“Circular 7”) promulgated by the STA on February 3, 2015 and the Announcement of STA on Issues Concerning Withholding at Source of Income Tax of Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (“Circular 37”) issued on October 17, 2017 and effective on December 1, 2017, non-resident enterprises in PRC which indirectly transferred assets (such as equity interests, etc.) in PRC resident enterprises through implementation of arrangements of no reasonable commercial purpose shall recategorize the transaction of indirect transfer in accordance with the EIT Law and recognize the transaction as direct transfer of assets (such as equity interests, etc.) in PRC resident enterprises. For the proceeds from the indirect transfer of equity interests subject to the Enterprises Income Tax in accordance with the Circular 7, the entities or individuals directly obliged to the relevant payment to the transferor of equity interests in accordance with relevant laws or contractual agreements are withholding obligor; the mutual parties and coordinators of the indirect transfer of PRC taxable assets, as well as the PRC resident enterprises whose equity interests are

RISK FACTORS

indirectly transferred shall provide relevant declaration in accordance with the requirements from competent tax authority. The Circular 7 and Circular 37 may be considered by the tax authorities to be applicable to our future offshore restructuring transactions or sale of the shares of our offshore subsidiaries. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to input time, efforts and relevant resources to comply with the Circular 7 and Circular 37 or to establish that we and our non-resident enterprises should not be taxed under the Circular 7 for future restructuring or disposal of shares of our offshore subsidiaries, which may have an adverse effect on our financial condition and results of operation.

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

The SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“**SAFE Circular 37**”) in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) released in February 2015 by SAFE, as amended in December 2019, or SAFE Circular 13, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 2015.

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

We may not at all times be fully aware or informed of the identities of all of our shareholders or beneficial owners that are required to make or update such registrations, and we cannot compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or

RISK FACTORS

beneficial owners to comply with SAFE regulations or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries’ ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

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

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

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

RISK FACTORS

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

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

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

During the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi, while the net [REDACTED] from the [REDACTED] will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi terms of the net [REDACTED] from the [REDACTED]. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations. During the Track Record Period, we recorded currency translation gains of RMB4.5 million, losses of RMB12.4 million and losses of RMB2.0 million in 2019, 2020 and 2021, respectively, as other comprehensive income/(loss) in our consolidated statements of comprehensive income, which is primarily a result of translation of financial statements of our overseas parent company and subsidiaries into the presentation currency of our domestic subsidiaries, which is RMB.

RISK FACTORS

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

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our BVI holding company primarily relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our Company. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval or registration to use cash generated from the operations of our PRC subsidiaries to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi.

In light of the flood of capital outflows of China in 2016 due to the weakening RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement including overseas direct investment. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. If any of our shareholders regulated by such policies fails to satisfy the applicable overseas direct investment filing or approval requirement timely or at all, it may be subject to penalties from the relevant PRC authorities. The PRC government may at its discretion further restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

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

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

RISK FACTORS

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

[REDACTED]

[REDACTED]

RISK FACTORS

[REDACTED]

RISK FACTORS

[REDACTED]

RISK FACTORS

[REDACTED]

RISK FACTORS

[REDACTED]

RISK FACTORS

[REDACTED]

WAIVERS AND EXEMPTIONS

In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Our Group’s management headquarters, senior management, business operations and assets are primarily based outside Hong Kong, in Mainland China. The Directors consider that the appointment of executive director(s) who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole.

Accordingly, we [have applied] for, and the Stock Exchange [has granted], a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, our Company has appointed and will continue to maintain two authorized representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange. At present, our two authorized representatives are Ms. Aileen Wang, our executive Director and Chief Executive Officer, and Ms. Po Yi Fok, our joint company secretary;
- (b) pursuant to Rule 3.20 of the Listing Rules, each Director has provided their contact information to the Stock Exchange and to the authorized representatives. This will ensure that the Stock Exchange and the authorized representatives should have means for contacting all Directors promptly at all times as and when required;
- (c) we will ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;
- (d) pursuant to Rule 3A.19 of the Listing Rules, our Company has retained the services of Somerley Capital Limited as compliance advisor (the “**Compliance Advisor**”), who will act as an additional channel of communication with the Stock Exchange. The Compliance Advisor will provide our Company with professional advice on

WAIVERS AND EXEMPTIONS

ongoing compliance with the Listing Rules. We will ensure that the Compliance Advisor has prompt access to our Company's authorized representatives and Directors. In turn, they will provide the Compliance Advisor with such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor's duties. The Compliance Advisor will also provide advice to our Company when consulted by our Company in compliance with Rule 3A.23 of the Listing Rules; and

- (e) meetings between the Stock Exchange and the Directors can be arranged through the authorized representatives or the Compliance Advisor, or directly with the Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Compliance Advisor in accordance with the Listing Rules.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

- (a) length of employment with the issuer and other issuers and the roles they played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

WAIVERS AND EXEMPTIONS

Our Company appointed Ms. Helen Wu, our Chief Financial Officer, and Ms. Po Yi Fok as joint company secretaries of our Company on March 26, 2022. Please refer to the section headed “Directors and senior management – Joint company secretaries” for their biographies.

Ms. Fok is an associate member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute as well as a member of the Hong Kong Institute of Certified Public Accountants. Ms. Fok therefore meets the qualification requirements under Rule 3.28 Note 1 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Accordingly, while Ms. Wu does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we [have applied] to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Wu may be appointed as a joint company secretary of our Company.

The waiver [was granted] for a three-year period from the [REDACTED] on the conditions that: (i) Ms. Fok is appointed as a joint company secretary to assist Ms. Wu in discharging her functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules; the waiver will be revoked immediately if Ms. Fok, during the three-year period, ceases to provide assistance to Ms. Wu as the joint company secretary; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. In addition, Ms. Wu will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the [REDACTED]. Our Company will further ensure that Ms. Wu has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Before the end of the three-year period, the qualifications and experience of Ms. Wu and the need for on-going assistance of Ms. Fok will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Ms. Wu, having benefited from the assistance of Ms. Fok for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Rule 3.28 Note 2 of the Listing Rules so that a further waiver will not be necessary.

CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the [REDACTED]. We [have applied] to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (where applicable) (i) the announcement and independent shareholders’ approval requirements, (ii) the annual cap requirement, and (iii) the requirement of limiting the term of the continuing connected transactions set out in Chapter 14A of the Listing Rules for such continuing connected transactions. For further details in this respect, see the “Connected transactions”.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

EXCHANGE RATE CONVERSION

Solely for convenience purposes, this document includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all.

Unless otherwise indicated (i) the translation between Hong Kong dollars and Renminbi was based on the rate of HK\$1.1057 to RMB1.00, (ii) the translation between Hong Kong dollars and U.S. dollars, was based on the rate of HK\$7.8499 to US\$1.00, and (iii) the translation between Renminbi and U.S. dollars was based on the rate of RMB7.0998 to US\$1.00.

LANGUAGE

If there is any inconsistency between the English version of this document and the Chinese translation of this document, the English version of this document shall prevail unless otherwise stated. However, the English names of any Laws, Governmental Authorities, institutions, natural persons or other entities for which no official English translation exists are unofficial translations for your reference only and their names in the original language shall prevail.

ROUNDING

Certain amounts and percentage figures included in this document have been subject to rounding adjustments, or have been rounded to a set number of decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart in this document between total and sum of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Aileen Wang (王怡)	Room 801, No. 2 Lane 515 Liuying Road, Zhabei District Shanghai PRC	Chinese
Non-executive Directors		
Frank Paul Krasovec	98 San Jacinto Blvd., FSR 2701 Austin, TX 78701 U.S.	American
James Leslie Marshall	70 Cove Drive 098097 Singapore	British
Zohar Ziv	2121 Garden Street Santa Barbara, CA 93105 U.S.	American
Matthew James Ridgwell	12 Ridley Park 248487 Singapore	British
Joseph Hugh Jordan	Vorenbroekstraat 72 Wassenaar 2242NW Netherlands	American
Independent non-executive Directors		
David Brian Barr	3535 Roswell Rd, Ste 52 Marietta, GA 30062 U.S.	American
Samuel Chun Kong Shih	168 Shun Chang Road Lakeview Regency Building 5, 2901 Shanghai PRC	Canadian
Lihong Wang (王勵弘)	Apartment 1845, 18/F Tower 6 Parkview Rise HK Parkview 88 Tai Tam Reservoir Road	Chinese (Hong Kong)

See “Directors and senior management” for further details.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor and [REDACTED]

Merrill Lynch (Asia Pacific) Limited
55/F, Cheung Kong Centre
2 Queen's Road Central
Central
Hong Kong

Financial Advisor

Ampere Partners Limited
Suite 1609-13, Nan Fung Tower
88 Connaught Road Central
Central
Hong Kong

[REDACTED]

Legal Advisors to our Company

As to Hong Kong and U.S. laws

**Skadden, Arps, Slate, Meagher & Flom
and affiliates**
42/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

As to PRC law

JunHe LLP
20/F China Resources Building
8 Jianguomenbei Avenue
Beijing
PRC

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

As to British Virgin Islands law

Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

**Legal Advisors to the Sole Sponsor
and the [REDACTED]**

As to Hong Kong and U.S. laws

Freshfields Bruckhaus Deringer
55/F, One Island East, Taikoo Place
Quarry Bay
Hong Kong

As to PRC law

Jingtian & Gongcheng
34/F, Tower 3
China Central Place
77 Jianguo Road
Beijing, China

**Reporting Accountant and
Independent Auditor**

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

Industry Consultant

**Frost & Sullivan (Beijing) Inc., Shanghai
Branch Co.,**
Suite 2802-2803, Tower A
Dawning Center
500 Hongbaoshi Road
Shanghai
China

[REDACTED]

CORPORATE INFORMATION

Headquarter and Principal Place of Business in China	Level 8, Block A 33 Caobao Road Shanghai China, 200235
Principal Place of Business in Hong Kong	46/F, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Registered Office	Kingston Chambers PO Box 173 Road Town Tortola British Virgin Islands
Company Website	<u>www.dpcdash.com</u> <i>(the information contained on this website does not form part of this document)</i>
Joint Company Secretaries	Helen Wu (吳婷) Level 8, Block A 33 Caobao Road Shanghai China, 200235 Po Yi Fok (HKICPA) 46/F, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Authorized Representatives	Aileen Wang (王怡) Level 8, Block A 33 Caobao Road Shanghai China Po Yi Fok 46/F, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong

CORPORATE INFORMATION

Audit and Risk Committee

Lihong Wang (*Chairperson*)
David Brian Barr
Samuel Chun Kong Shih
Zohar Ziv
Matthew James Ridgwell

Remuneration Committee

David Brian Barr (*Chairperson*)
Lihong Wang
Samuel Chun Kong Shih
Matthew James Ridgwell
Joseph Hugh Jordan

Nomination Committee

Frank Paul Krasovec (*Chairperson*)
David Brian Barr
Lihong Wang
Samuel Chun Kong Shih
Matthew James Ridgwell

Finance Committee

Zohar Ziv (*Chairperson*)
Matthew James Ridgwell
Joseph Hugh Jordan

[REDACTED]

Compliance Advisor

Somerley Capital Limited
20/F, China Building
29 Queen’s Road Central
Hong Kong

Principal Bank

Industrial and Commercial Bank of China
Shanghai Liyuan Road Branch
928 Liyuan Road
Huangpu District
Shanghai
China

INDUSTRY OVERVIEW

The information and statistics set out in this section, as well as certain information and statistics set out in other sections of this document, were extracted from the Frost & Sullivan Report and the Frost & Sullivan Survey, in each case prepared by Frost & Sullivan and commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

CHINA’S CATERING INDUSTRY

China’s catering industry refers to the commercial activities of providing consumers with prepared foods, as well as venues for dining and drinking. The size of China’s catering industry, as measured by revenue, increased from RMB3,579.9 billion in 2016 to RMB4,672.1 billion in 2019 at a CAGR of 9.3%. The size of China’s catering industry declined in 2020 to RMB3,952.7 billion due to the impact of the COVID-19 pandemic, but recovered to RMB4,689.5 billion in 2021. China’s catering industry is expected to resume its rapid and steady growth and reach RMB8,279.9 billion in 2026, representing a CAGR of 12.0% from 2021 to 2026. The growth of China’s catering industry is primarily driven by increases in disposable income, urbanization rates and the penetration rate of dine-out and delivery, as well as improvements in food safety and a favorable regulatory environment.

Key features of China’s catering industry

China’s catering industry may be further subcategorized by cuisine type, dining mode, and operational model. Each of these subcategories is described in more detail below.

Western cuisine is a fast-growing segment

In terms of cuisine type, China’s catering industry comprises three segments, namely (i) Chinese cuisine, (ii) Western cuisine and (iii) other cuisines. In 2021, Chinese cuisine was the largest category in China’s catering market, accounting for 78.3% of China’s total catering market, followed by Western cuisine at 15.8% and other cuisines at 5.9%. The typical average spending per guest at Chinese cuisine restaurants and Western cuisine restaurants ranged from RMB15 to RMB150, and RMB30 to RMB200, respectively.

Western cuisine and other cuisines have historically grown faster than Chinese cuisine. From 2016 to 2019, the size of the Western cuisine segment grew at a CAGR of 11.7%, outpacing the growth of Chinese cuisine, which grew at a CAGR of 8.5% in the same period. In 2020, the size of the Western cuisine segment decreased due to the impact of the COVID-19 pandemic, but is expected to recover and grow at a CAGR of 13.5% from 2021 to 2026, driven by consumers seeking consumption upgrades, as well as by the increasing acceptance of western-style food by consumers.

INDUSTRY OVERVIEW

Food delivery is growing rapidly

The size of the food delivery industry in China has grown rapidly, increasing from RMB231.3 billion in 2016 to RMB596.8 billion in 2019, representing a CAGR of 37.2%. In 2020, China’s food delivery industry continued to grow, reaching RMB715.4 billion, even as the overall China catering market contracted. In terms of penetration of the China’s overall catering industry, food delivery increased from 6.5% in 2016 to 20.7% in 2021. Looking ahead, the growth of food delivery is expected to maintain its momentum. From 2021 to 2026, the size of the food delivery industry is expected to grow at a CAGR of 16.6% to reach RMB2,091.2 billion, at which time the penetration of food delivery is expected to reach 25.3%.

This growth will be driven by the increasing popularity of food delivery, which has been accelerated by the COVID-19 pandemic, as well as increasing mobile penetration and growing demands for convenience arising from the busy lifestyles of Chinese consumers. Restaurants that are able to (i) serve foods that are highly suited for delivery, (ii) create synergies between dine-in and delivery, (iii) offer fast and convenient food delivery services that preserve the temperature and freshness of the food, and (iv) do so with high penetration across the Chinese market are expected to benefit from this trend.

Restaurant chains are expected to maintain their share of the Western cuisine market

In terms of operating models, restaurant chains accounted for 20.3% of the overall PRC catering industry in 2021. However, restaurant chains captured 48.6% of the western cuisine segment in 2021. Restaurant chains enjoy a number of advantages compared to independent restaurants, including (i) extensive store networks that accelerate the growth of brand awareness and increase sales volume per store, (ii) consistent quality and safety of dishes across the store network, which has been especially important during the COVID-19 pandemic, (iii) more resources to invest in product and technology development resulting in higher product and technological innovation, (iv) larger scale resulting in better access to capital and talent, as well as improved cost efficiency. These advantages are expected to enable restaurant chains to maintain their share in the Western cuisine market.

Market drivers of China’s catering industry

The key market drivers of China’s catering industry include:

- *Increasing disposable income and urbanization rate.* Over the past few years, spending on restaurant meals has experienced strong growth as urban residents seek to improve their lifestyles. This trend has been further bolstered by increasing disposable incomes and urbanization rates.
- *Growing penetration of delivery and dining out.* Instead of cooking at home, consumers increasingly prefer to order delivery, order carryout, or dine out. The penetration rate of delivery, carryout and dining out in China, which refers to the percentage of meals eaten that were not cooked at home, grew from 23.0% in 2016 to 23.8% in 2019, before falling to 20.0% in 2020 due to the adverse impact of the COVID-19 pandemic, but is expected to grow at an accelerated pace to 26.6% in 2026. This recovery will be driven by younger consumers that generally prefer not to cook at home, the growth of single-person households, growing household spending, increasing urbanization rate and the strong growth of delivery services. Restaurants that excel in delivery and provide a differentiated food delivery experience for consumers are expected to benefit from this trend in the future.

INDUSTRY OVERVIEW

- *Restaurant chains are expected to benefit from increased focus on food safety.* Large restaurant chains in China have more comprehensive food safety management systems and supply chains, enabling them to ensure quality consistency in the food that they serve. Additionally, the Chinese government has issued a series of policies and regulations to promote the standardization and development of the catering industry. Restaurant chains, which tend to be larger and have higher standards of food safety and quality, are expected to outperform independent restaurants in this food safety-focused regulatory environment.

The impact of the COVID-19 pandemic on China’s catering industry

The COVID-19 pandemic had a significant impact on China’s catering industry. In 2020, the COVID-19 pandemic resulted in quarantines, travel restrictions, limitations on social or public gatherings, and the temporary closure of business venues and facilities across China. Under these conditions, the size of China’s catering market declined from RMB4,672.1 million in 2019 to RMB3,952.7 million in 2020. Despite the overall contraction of China’s catering market, the COVID-19 pandemic accelerated the growth in demand for food delivery services. In particular, the restrictions on dine-in and grocery shopping options that were imposed to manage the pandemic accelerated the consumer adoption of food delivery as a regular dining habit. As a result, restaurants that are able to offer food delivery services were able to better weather the adverse effects COVID-19 pandemic.

THE CHINA PIZZA MARKET

Overview

The China pizza market is a sub-segment of the Western cuisine segment. China’s pizza restaurants typically serve a range of foods, including (i) pizzas, which are usually customizable in terms of crusts, sizes, sauces and toppings; (ii) staple foods, such as bread, sandwiches, rice and pasta; (iii) sides, such as fried chicken, fries, barbecued meats, desserts; and (iv) drinks, such as sodas, bottled beverages, tea and coffee. Amidst increasing disposable income, continual product innovation, the growing acceptance of Western cuisine among young consumers, and the growth of the pizza market in lower-tier cities, pizza restaurants have been popular in China for the last few decades and are expected to become increasingly popular in the future.

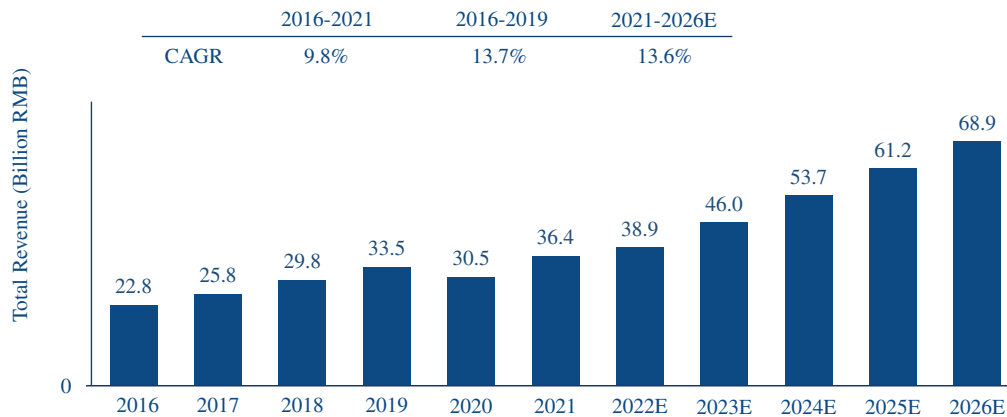
Size of the China pizza market

From 2016 to 2019, the size of the China pizza market, as measured by revenue, grew from RMB22.8 billion to RMB33.5 billion at a CAGR of 13.7%. From 2021 to 2026, the size of the China pizza market is expected to grow at a CAGR of 13.6% and reach RMB68.9 billion in 2026. The growth of the China pizza market is driven by China’s increasing urbanization, the growing disposable income of Chinese consumers and the rising consumer acceptance of western cuisine, especially among the younger generation of Chinese consumers. According to Frost & Sullivan, although pizza is not a new type of food in China, the pizza market still has tremendous potential in China given its low penetration. For example, in 2021, there were approximately 24 pizza stores per million people in Tier 1 and New Tier 1 cities, while there were approximately 14 and 6 pizza stores per million people in Tier 2 and Tier 3 (or lower) cities. This compares to approximately 28.1 and 28.3 stores per million people in Japan and South Korea during the same period. In recent years, the pizza market in China has recorded significant growth before the onslaught of COVID-19 in 2020, with a CAGR of 13.7% from

INDUSTRY OVERVIEW

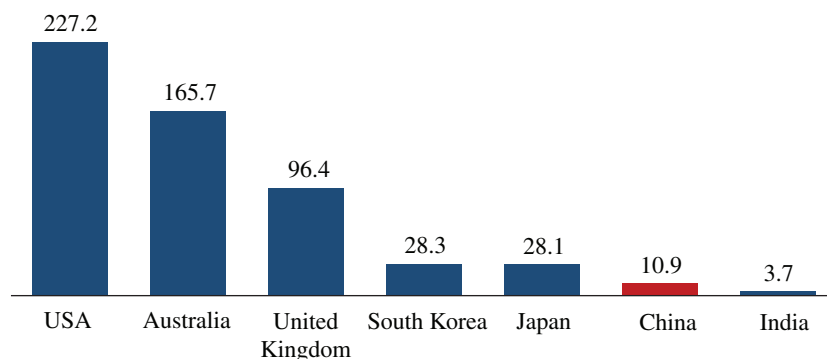
2016 to 2019. In 2020, the outbreak of COVID-19 has dragged down economic sentiment and activities related to on-site public gathering and consumption in China. Due to the strict quarantine measures implemented by the PRC government to restrain the further spread of COVID-19, the revenue of China’s pizza restaurant markets declined from RMB33.5 billion in 2019 to RMB30.5 billion in 2020. Looking forward, the total revenue of China’s pizza restaurant market is expected to increase from 2021 to 2026 with a 13.6% CAGR, which is similar to the rate before the COVID-19 pandemic. The chart below sets forth the market size of the China pizza market, in terms of revenue, from 2016 to 2026.

Market size of China’s pizza restaurant market, 2016 - 2026E



Looking ahead, the increasing penetration of pizza restaurants in both higher and lower tier cities, development of food delivery and growing popularity of western cuisine – including pizza – will contribute to the sustained growth of the China pizza market. In particular, the China pizza market is currently underserved compared to other East Asian countries, which have similar food cultures to China. According to Frost & Sullivan, East Asian countries, including China, Japan and South Korea, share similar dining cultures where rice and noodles play important roles in their residents’ diet. As a result, even though the number of western cuisine restaurants in China has not reached the level in western countries, pizza restaurants, as a part of western cuisine restaurants, is likely to have a sustained development to get closer to the store density in terms of pizza stores per million population in Japan and South Korea in the future. The table below compares the number of pizza stores per million population of China with those of other countries around the world in 2021:

Pizza stores per million population in 2021



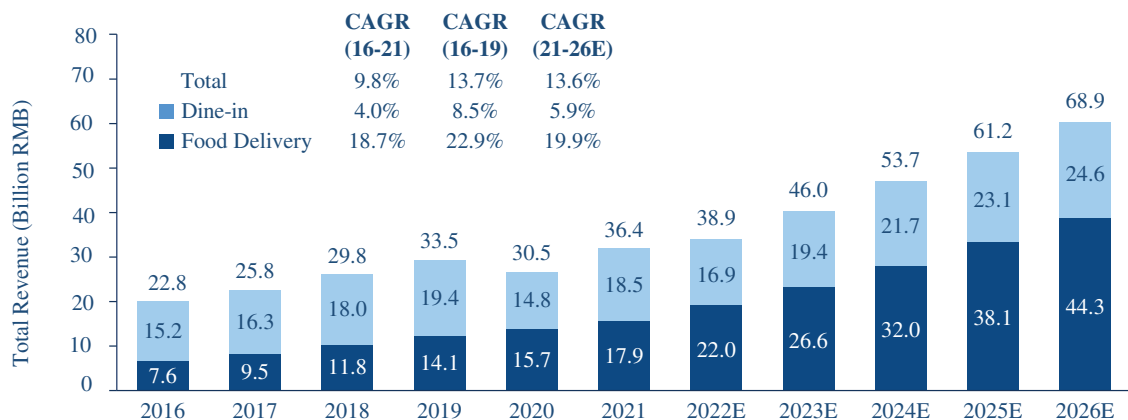
INDUSTRY OVERVIEW

Food delivery outpaces dine-in in the China pizza market

Within the China pizza market, food delivery sales have grown rapidly and are expected to account for the majority of revenue in the China pizza market within the next five years. From 2016 to 2019, the size of the food delivery segment within the China pizza market, as measured by revenue, grew from RMB7.6 billion to RMB14.1 billion at a CAGR of 22.9%. In 2020, although the overall China pizza market experienced a contraction due to the adverse effects of the COVID-19 pandemic, the pizza delivery market showed strong resilience and reached RMB15.7 billion in size. From 2021 to 2026, the size of the food delivery segment within the China pizza market is expected to grow at a CAGR of 19.9% and reach RMB44.3 billion in 2026, at which time the size of the food delivery segment is expected to represent 64.3% of the China pizza market.

The fast growth of food delivery within the China pizza market is primarily attributable to pizza’s high suitability for food delivery, the development of China’s food delivery platforms and the growing number of mobile internet users in China. The chart below sets forth the market size of the China pizza market, in terms of revenue and broken down by food delivery and dine-in, from 2016 to 2026.

**Market size of China’s pizza restaurant market,
breakdown by food delivery and dine-in, 2016 - 2026E**

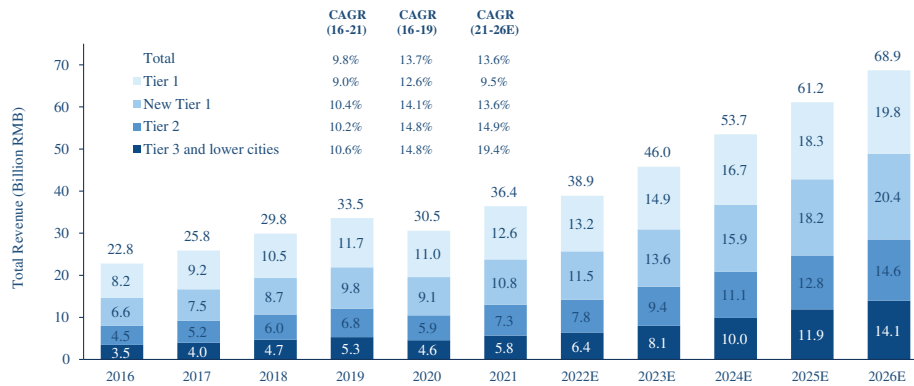


The China pizza market is concentrated in Tier 1 and New Tier 1 Cities, with lower-tier cities catching up quickly

In 2021, Tier 1 and New Tier 1 cities generated 64.3% of the revenue of the China pizza market. Looking forward, the China pizza market is expected to remain concentrated in Tier 1 and New Tier 1 cities, which are expected to account for 58.3% of the total China pizza market in 2026. Nevertheless, Tier 2, Tier 3 and lower tier cities are expected to have greater market potential and grow at a higher CAGR than Tier 1 and New Tier 1 cities from 2021 to 2026. The chart below sets forth the market size of the China pizza market, in terms of revenue and broken down by city tiers, from 2016 to 2026.

INDUSTRY OVERVIEW

Market size of China’s pizza restaurant market, breakdown by city tiers, 2016 - 2026E



Restaurant chains are expected to maintain their significant share of the China pizza market

The China pizza market is dominated by restaurant chains. In 2021, restaurant chains represented 89.3% of the total China pizza market in terms of market size. The dominance of restaurant chains within the China pizza market is expected to continue. By 2026, the market size of restaurant chains within the China pizza market is expected to reach RMB63.7 billion, or 92.5%, of the total China pizza market.

Consumer survey

From November 2021 to December 2021, we commissioned Frost & Sullivan to conduct a consumer survey that comprised online interviews and questionnaires. This survey was conducted with approximately 600 participants in Beijing and Shanghai. We commissioned this survey to better understand consumers’ preferences and the China pizza market in China’s leading cities. Set forth below are the key findings from the consumer survey that Frost & Sullivan conducted:

- *Taste.* Our pizza was rated highest on taste by respondents.
- *Product innovativeness.* Our pizza was rated highest on innovativeness by respondents.
- *Brand innovativeness.* Our brand was the pizza brand that respondents rated highest brand innovativeness.
- *Value for money.* We were rated highest on value for money among pizza brands.
- *Excellent delivery service.* We were rated highest on excellence in delivery among pizza brands.
- *Net Promoter Score.* We had the highest net promoter score among the pizza brands. Net promoter score is a measure of brand loyalty.

THE COMPETITIVE LANDSCAPE OF THE CHINA PIZZA MARKET

Overall competitive landscape

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. The Company was the third largest pizza restaurant company in the China pizza market in terms of revenue in 2021, with a 4.4% market share. This followed a steady increase across 2017, 2018, 2019 and 2020, in which the Company’s market share was 1.6%, 2.0%, 2.4% and 3.6%, respectively. The table below sets forth the top five brands in the overall China pizza market in 2021.

INDUSTRY OVERVIEW

Ranking and market share of leading players in the China pizza market in terms of revenue, 2021

Ranking	Company	Revenue (RMB Billion)	Market Share (%)	Number of Restaurants in China
1	Company A ⁽¹⁾	13.6	37.4%	~2,590
2	Company B ⁽²⁾	2.2	6.0%	~2,150
3	The Company	1.6	4.4%	468
4	Company C ⁽³⁾	0.7	1.9%	~220
5	Company D ⁽⁴⁾	0.7	1.9%	~140
	Top 5	18.8	51.6%	
	Others	17.6	48.4%	
	Total	36.4	100.0%	

Notes:

- (1) Company A is a multinational brand that entered China in the 1990s that mainly focuses on pizza.
- (2) Company B is a domestic brand established in 1998 that mainly focuses on pizza.
- (3) Company C is a multinational brand that entered China in the 2000s that mainly focuses on pizza.
- (4) Company D is a domestic brand established in 2010 that mainly focuses on pizza.

Food delivery competitive landscape

As a sub-segment of 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. In 2021, the Company was the third largest pizza restaurant company in the China pizza market in terms of food delivery revenue, with a 6.7% market share in 2021. The table below sets forth the top five brands in terms of food delivery revenue within China pizza market in 2021.

Ranking and market share of leading players in the China pizza Market in terms of food delivery revenue, 2021

Ranking	Company	Food Delivery Revenue (RMB Billion)	Market Share (%)
1	Company A	4.8	26.8%
2	Company B	1.5	8.4%
3	The Company	1.2	6.7%
4	Company C	0.5	2.8%
5	Company D	0.5	2.8%
	Top 5	8.5	47.5%
	Others	9.4	52.5%
	Total	17.9	100.0%

INDUSTRY OVERVIEW

Tier 1 Cities competitive landscape

Tier 1 cities accounted for 34.6% of the China pizza market in 2021. Within Tier 1 cities, the Company was the second largest pizza company in terms of revenue in 2021. The table below sets forth the top five players in the overall China pizza market for 2021 in Tier 1 cities.

Top 5 players in Tier 1 Cities, 2021

Ranking	Company	Overall revenue in Tier 1 cities (RMB Billion)	Overall market share in Tier 1 Cities (%)	Delivery revenue in Tier 1 cities (RMB Billion)	Delivery market share in Tier 1 Cities (%)
1	Company A	3.2	25.4%	1.2	17.4%
2	The Company	1.3	10.3%	1.0	14.5%
3	Company B	1.1	8.7%	0.8	11.6%
4	Company D	0.6	4.8%	0.4	5.8%
5	Company C	0.4	3.2%	0.3	4.3%
	Top 5	6.6	52.4%	3.7	53.6%
	Others	6.0	47.6%	3.2	46.4%
	Total	12.6	100.0%	6.9	100.0%

MARKET DRIVERS AND TRENDS OF THE CHINA PIZZA MARKET

The following are the key market drivers and trends of the China pizza market:

- *Increasing disposable income.* Per capita disposable income in China has been growing rapidly in tandem with the growth of China’s economy. As consumers’ disposable income have grown, they have increased their expenditure on food. Moreover, growing incomes have also led consumers to seek out higher food quality, more customization options, better service, and quicker delivery, driving the development of the China pizza market.
- *Development of food delivery.* Consumers’ demand for food delivery has continually grown across China’s catering industry. Pizza restaurants will benefit from this trend, as pizza is highly suited for food delivery. Pizza restaurants that are able to create synergies between dine-in and delivery and offer fast and convenient food delivery services across China are expected to perform well.
- *Growing acceptance of Western cuisine among younger consumers.* China’s younger consumers are more willing to try Western cuisine, including pizza, as they are more exposed to Western lifestyles and culture. As the younger generation has become the major consumption group, western style restaurants are expected to be more popular among consumers, which in turn will drive the growth of the China pizza market.
- *Continual product innovation.* Continual product innovation is a driving force for the China pizza market. Driven by an overall trend of consumption upgrades, there is growing demand for diverse pizza flavors among Chinese consumers. To meet this demand, pizza restaurants must regularly update their menus by introducing new products that integrate local flavors.
- *Growth potential from lower-tier city markets.* Third-tier and lower cities have a large consumer base and steadily growing income, which is expected to drive the consumption of pizza in those cities. In addition, although most pizza restaurants are currently located in Tier 1, New Tier 1 and Tier 2 cities, the growth of pizza restaurants in lower-tier cities is expected to be faster, driving the growth of the China pizza market.

INDUSTRY OVERVIEW

- *Food safety and quality control.* Large restaurant chains in China have more comprehensive food safety management systems and supply chains, enabling them to ensure quality consistency in the food they serve. Pizza restaurant chains, which are larger in scale and hold themselves to higher standards, are able to offer better food safety and quality control, which will drive the market.
- *Innovation of technology and digitalization.* The adoption of new technologies that enable restaurants to improve their business performance and operations are expected to be a major driver for the China pizza market. These new technologies make it possible to track information about purchases, which enable restaurants to launch targeted, bespoke marketing campaigns that can increase customer stickiness and enhance brand loyalty. For example, pizza restaurants that leverage new technologies to track the popularity of different pizzas to offer customized promotions to customers.

CHALLENGES AND ENTRY BARRIERS OF THE CHINA PIZZA MARKET

Although there may not be significant entry barriers in operating and managing a single pizza restaurant, there are significant entry barriers in becoming a large-scale pizza restaurant chain with multiple restaurant locations. There are also challenges inherent to operating a business in the China pizza market. The challenges and principal entry barriers to doing so include the following:

- *Brand awareness.* A pizza restaurant with a high brand awareness is more likely to be welcomed by customers. Generally, a brand’s reputation is highly related to the taste, safety and quality of that brand’s food and drink, as well as the brand’s quality of service and premises. High brand awareness also helps brands negotiate with suppliers and landlords, resulting in more favorable economics for the brand. For new entrants, it is hard for them to establish brand awareness in the short term.
- *Ability to effectively manage supply chains.* Newer entrants to the China pizza market may not be able to manage their supply chain to ensure that fresh and high quality food ingredients and other raw materials are purchased at favorable prices, readily available from qualified suppliers and delivered at the time and in the amounts necessary across all of its restaurants. Similarly, newer entrants may also experience difficulties with maintaining high levels of food safety throughout their supply chains, particularly if they have not developed a network of central kitchens to centralize and standardize food processing. Extensive experience in supply chain management for large-scale operations and maintaining cost efficiency are key entry barriers for new market players.
- *Ability to offer a seamless delivery experience.* New entrants to the China pizza market may find it difficult to offer a seamless delivery experience to their customers. By contrast, experienced players in the China pizza market typically have business models that are more optimized for delivery in terms of store design, in-kitchen procedures, online ordering platforms the use of a dedicated rider fleet, and other features that work together to create a seamless, timely and reliable delivery experience for consumers.

INDUSTRY OVERVIEW

- *Technology investment.* Pizza restaurant companies that invest in technology infrastructure and adopt new technologies generally are able to provide a unique consumer experiences for both dine-in and delivery, improve convenience for guests and streamline operations to reduce costs and achieve economies of scale. In particular, new entrants to the China pizza market may find it difficult to optimize their technology for a delivery focused business model.
- *Ability to maintain standardization and regulatory compliance.* As a relatively smaller and newer entrant to the China pizza market grows in size, it becomes more difficult to ensure that all of its restaurant units carry out standardized operations, especially with respect to food quality, hygiene and service quality. It is also challenging for new entrants to the China pizza market to manage a large pizza restaurant network, as it becomes more challenging to ensure that all restaurant units and staff comply with the laws and regulations of multiple jurisdictions.
- *Ability to maintain growth and attractive economics.* As a new entrant to the China pizza market opens more units and grows in size, it becomes more difficult to maintain its pace of growth and achieve attractive overall economics. Opening new pizza restaurants requires capital investment, management oversight and human resources. Moreover, pizza restaurant companies may also find it hard to successfully prevent cannibalization among its existing restaurants. Due to the initial capital expenditure requirements and potentially long ramp-up periods to achieving breakeven or cash investment payback, new pizza restaurant companies may find it challenging to maintain a healthy cash flow from operations while growing rapidly.

COST OF RAW MATERIALS AND LABOR

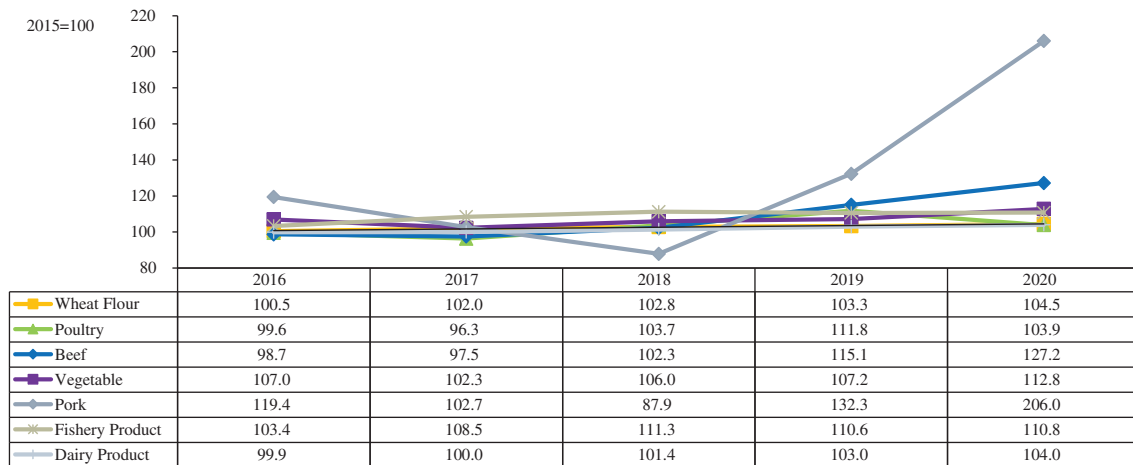
Cost of raw materials

The cost of raw materials, such as food ingredients, represents a key cost item for restaurants in China. For pizza restaurants, the main raw materials include cheese, wheat flour, chicken, beef, pork and vegetables.

The prices of these ingredients, as like most food materials, have increased during recent years, accompanied by significant price volatility. For example, beef has steadily grown more expensive. The consumer price index of beef increased from 98.7 in 2016 to 127.2 in 2020, primarily due to the growing demand of China’s consumers. On the other hand, the consumer price index of pork has been volatile for several years, decreasing from 119.4 to 87.9 from 2016 to 2018 due to an increase in the global supply of pigs, before increasing from 87.9 to 206.0 from 2018 to 2020 due to the outbreak of African Swine Fever and COVID-19. Looking ahead, it is expected that consumer price index of raw food materials will continue to grow at a moderate rate, driven by growing income levels, the developing macroeconomy and rising personal health awareness among Chinese consumers. The chart below sets forth the consumer price index trends of major raw materials used by pizza restaurants in China for the years indicated.

INDUSTRY OVERVIEW

2015-based consumer price index of raw food Material (China), 2016-2020

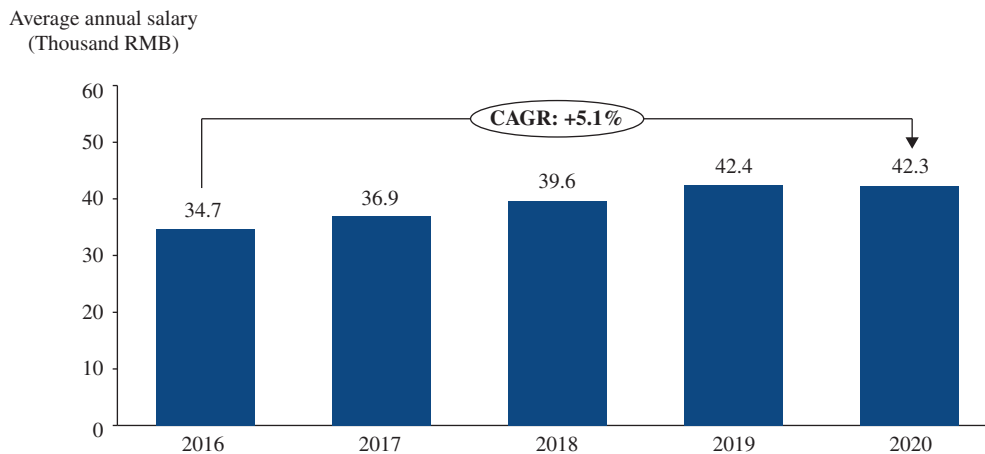


Source: National Bureau of Statistics of China

Cost of labor

In line with the rapid growth of China’s economy, the annual salary of employees in China’s catering industry increased at a CAGR of 5.1% from 2016 to 2020 and is expected to continue to increase in the coming years. Similarly, labor costs for restaurants are expected to continue to grow at a moderate rate, ranging from approximately 4% to 6%, driven by the growth of the overall economy, rising disposable income and inflation. The chart below sets forth the average annual salary of employees in China’s catering industry for the years indicated.

Average annual salary of employees (China), 2016-2020



Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

SOURCES OF INFORMATION

We engaged Frost & Sullivan, an independent third party, to conduct a study of the catering and pizza market in China. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. We agreed to pay Frost & Sullivan a fee of RMB1,150,000 for the preparation of the Frost & Sullivan Report. Unless otherwise stated, figures and statistics provided in this document and attributed to Frost & Sullivan have been extracted from the Frost & Sullivan Report and published with the consent of Frost & Sullivan. Our Directors confirm to the best of their knowledge, and after making reasonable enquiries, that there have been no adverse changes in the industry since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information set out in this section.

We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of China’s catering and pizza markets for prospective investors. The methodology used by Frost & Sullivan includes (i) detailed primary research which involves discussing the status of the industry with leading industry participants and industry experts, and (ii) secondary research which involves reviewing company reports, independent research reports and data based on Frost & Sullivan’s own research database.

Frost & Sullivan considers the source of information set out in the Industry Overview section as reliable because (i) it is general market practice to adopt official data and announcements from various PRC government agencies; and (ii) the information obtained from interviews is for reference only, and the findings in its report are not directly based on the results of those interviews. Frost & Sullivan has a proven track record in providing market research studies to government and private clients in the regions covered by the Frost & Sullivan Report covers.

In preparing and compiling the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) China’s economy is likely to maintain steady growth in the next decade; (ii) China’s social, economic, and political environment is likely to remain stable in the forecast period; (iii) market drivers like the increasing number of shopping malls, development of social media and growing group of pizza customers are likely to drive the prosperity of China’s catering and pizza markets; and (iv) given the strict quarantine and containment measures taken by the Chinese government, the COVID-19 pandemic will be effectively controlled and will not frustrate the long-term steady development of the Chinese economy.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

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 547 stores across 12 cities in the China mainland.

Our Company acts as the holding company of our Group and was incorporated in the British Virgin Islands as a business company with limited liability on April 30, 2008 for the purpose of operating a food and beverage business in China. Our Company was co-founded by Mr. Frank Paul Krasovec, Mr. Zohar Ziv and certain other co-founders who are Independent Third Parties of the Group. Prior to founding our Company, our co-founders served as executives of global companies operating in a number of industries, including catering, real estate and financial services, in China. Mr. Krasovec and Mr. Ziv presently serve as non-executive Directors of our Group, and Mr. Krasovec has also served as chairman of our Group since our inception. Mr. Krasovec is a seasoned and successful entrepreneur who has founded highly successful companies and helped build and monetize numerous investments in multiple industries, including media/telecommunications, promotional products, energy products and services, food and beverage and real estate development and management. Mr. Ziv is an active director, advisor and investor with extensive executive management experience across various industries.

Prior to 2009, our co-founders had accumulated experience investing in and bringing western catering chains to China, and were optimistic that there was significant room for western cuisine to grow in China. Our co-founders therefore sought out business opportunities to bring new western catering chains to China. One of the potential opportunities they identified was Domino’s Pizza, with which they were well acquainted given the strength of the Domino’s Pizza brand in the U.S. and around the world. As a result, in 2009, Mr. Krasovec and our other co-founders leveraged their business relationships and networks to arrange a meeting with executives at Domino’s Pizza Inc. to explore business opportunities to bring the Domino’s Pizza brand to the China mainland. Subsequently, Domino’s Pizza Inc. introduced Mr. Krasovec and our other co-founders to Pizzavest China Ltd., which was owned by Pizzavest Co., Ltd., a Taiwan-based company that held the exclusive rights to operate Domino’s Pizza stores in Beijing, Tianjin, Shanghai, Jiangsu Province and Zhejiang Province at that time. Following a period of negotiations with Pizzavest Co., Ltd., in December 2010, we acquired Pizzavest China Ltd. Since then, we have been dedicated to operating Domino’s Pizza stores and growing the Domino’s Pizza brand in China. From 2010 to 2017, our Company was primarily focused on growing our presence in Beijing and Shanghai. We expanded to Hangzhou in March 2016, opening our first Domino’s Pizza store outside of Shanghai and Beijing.

In May 2017, Aileen Wang joined us as CEO, strengthening our leadership and making a pivot in our business strategy as we embraced localized senior management, the rapid expansion of our store network, a delivery-centric model, technology and an innovative menu. In June 2017, we renewed the Master Franchise Agreement with Domino’s International, a subsidiary of Domino’s Pizza, Inc., under which the 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.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

KEY MILESTONES

The following table sets forth our key milestones:

Time	Event
December 2010	We acquired Pizzavest China Ltd. which was entitled to operate Domino’s Pizza in Beijing, Tianjin, Shanghai, Jiangsu Province and Zhejiang Province.
March 2016	We expanded to Hangzhou and opened our first Domino’s Pizza store outside Shanghai and Beijing.
May 2017	Aileen Wang joined us as CEO, strengthening our senior leadership.
June 2017	We renewed the Master Franchise Agreement with Domino’s International, under which the 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.
July 2017	Dash DPZ China Limited, or DPZ China held 100% equity interests in Pizzavest China Ltd., which was Domino’s Pizza’s master franchisee in China mainland. Before July 2017, DPZ China was majority-owned by our Company. In July 2017, our Company issued additional shares to the minority shareholder to acquire the remaining equity interests in DPZ China (the “ Acquisition ”). After the Acquisition, DPZ China became a wholly-owned subsidiary of our Company.
August and November 2018	We expanded to Shenzhen and Guangzhou, representing two of the largest markets in southern China.
May 2020	We received an investment from Domino’s Pizza LLC, a subsidiary of Domino’s Pizza, Inc., for an aggregate amount of approximately US\$40 million.
January 2021	We received an additional investment from Domino’s Pizza LLC for an aggregate amount of approximately US\$40 million.
April 2021	We opened our 400th store.
December 2021	We received an investment from Domino’s Pizza LLC, D1 SPV Master Holdco I (Hong Kong) Limited and SMALLCAP World Fund, Inc. for an aggregate amount of approximately US\$50 million.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

MAJOR SUBSIDIARIES AND OPERATING ENTITIES

The principal business activities and date of establishment of each of our Major Subsidiaries are shown below:

Name of company	Principal business activities	Date and jurisdiction of establishment
Beijing Pizzavest Fast Food Co., Ltd. (北京達美樂比薩餅有限公司) (“ Dash Beijing ”)	Operating our stores in Beijing, Tianjin and Sanhe	July 22, 1996, PRC
Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司) (“ Dash Shanghai ”)	Operating our stores in Shanghai, Nanjing, Suzhou, Wuxi and Hangzhou	October 25, 2007, PRC
Shenzhen Pizzavest Fast Food Co., Ltd. (深圳達美樂餐飲管理有限公司) (“ Dash Shenzhen ”)	Operating our stores in Guangzhou, Shenzhen and Foshan	May 23, 2018, PRC
Sanhe Municipal Domino’s Pizza Co., Ltd. (三河市達美樂比薩餅有限公司)	Serving our stores in Beijing, Tianjin and Sanhe	August 23, 2013, PRC
Dongguan Domino’s Food Co., Ltd. (東莞達美樂食品有限公司)	Serving our stores in Guangzhou, Shenzhen and Foshan	June 28, 2018, PRC
Shanghai Domino’s Food Co., Ltd. (上海達美樂食品有限公司) (“ Shanghai Domino’s ”)	Serving our stores in Shanghai, Nanjing, Suzhou, Wuxi, Hangzhou and Ningbo	April 1, 2019, PRC

MASTER FRANCHISE AGREEMENT

In December 2010, we acquired Pizzavest China Ltd., which was Domino’s Pizza’s master franchisee in Beijing, Tianjin, Shanghai, Jiangsu Province and Zhejiang Province at that time. On June 1, 2017, Domino’s Pizza International Franchising Inc., and Pizzavest China Ltd., a wholly-owned subsidiary of our Company, entered into an amended and restated Master Franchise Agreement with an initial term of ten years, which may be renewed at our option for two additional ten-year terms, subject to the fulfillment of certain conditions. Pursuant to the terms of the Master Franchise Agreement, we have the exclusive right to develop, operate and sub-franchise the right to develop and operate Domino’s Pizza delivery stores, as well as an exclusive license to use and sub-license the use of the Domino’s system and the associated

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

trademarks in entire China mainland. In exchange, we pay franchise fees and royalty fees to Domino’s Pizza International Franchising Inc. For details, see “Business – Master Franchise Arrangements” and “Connected transactions – Master Franchise Arrangements”. The Master Franchise Agreement may be terminated upon the occurrence of certain events. For details, see “Risk factors – Risks relating to our business and industry – We rely significantly on our Master Franchise Agreement with Domino’s International for our business operations”. We did not have any material breach of the Master Franchise Agreement during the Track Record Period, and we actively monitor our compliance with the terms of the Master Franchise Agreement on an ongoing basis.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Our Company was incorporated in British Virgin Islands under the name “Dash Brands Ltd.” as a business company with limited liability on April 30, 2008. On September 13, 2021, our Company changed its name to “DPC Dash Ltd” (达势股份有限公司). Upon incorporation, our Company was authorized to issue a maximum of 50,000 Shares.

The major shareholding changes of our Company since its incorporation relate to the Pre-[REDACTED] Investments, which took place from 2008 to 2021 and led to the issuance of an aggregate of: (a) 2,884,511 Series A Preference Shares, (b) 5,651,797 Series B Preference Shares, (c) 5,418,137 Series C Preference Shares, (d) 4,116,550 Series D Preference Shares, (e) 10,368,361 Series E Preference Shares, (f) 19,366,331 Ordinary Shares, (g) 16,794,177 2020 Senior Ordinary Shares, and (h) 1,306,842 2021 Senior Ordinary Shares. Please refer to “– Pre-[REDACTED] Investments” for further information of shareholding changes in connection with completion of the relevant pre-[REDACTED] investments.

In June 2017, we went through a restructuring to streamline the capital structure of our Group, during which all the Preference Shares were converted into Ordinary Shares of our Company.

Before July 2017, DPZ China, which held 100% equity interests in Pizzavest China Ltd., was majority owned by our Company. In July 2017, our Company issued additional shares to the minority shareholder to acquire the remaining equity interests in DPZ China, after which DPZ China became a wholly-owned subsidiary of our Company.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

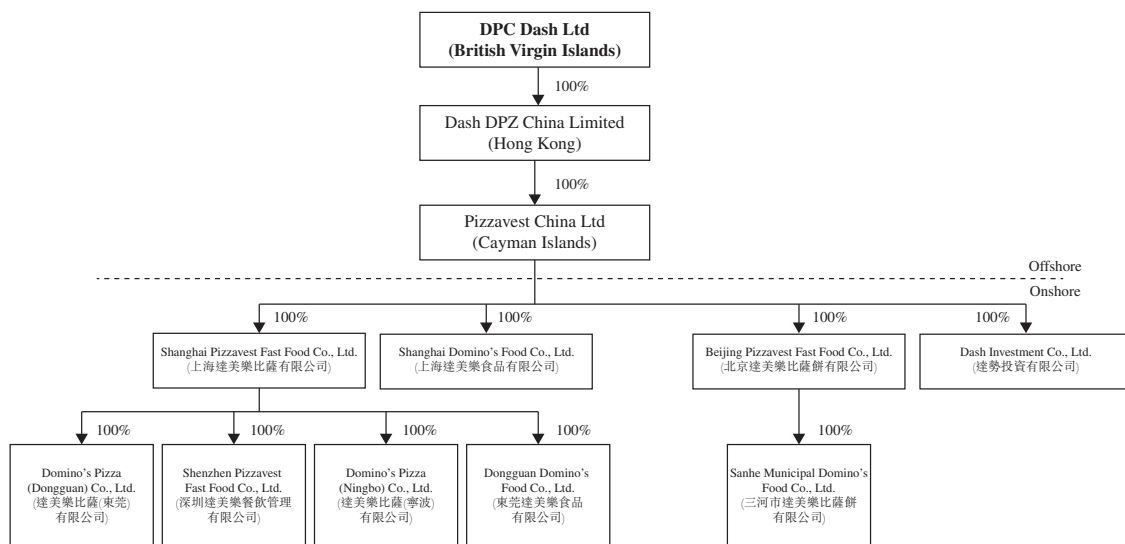
We have not conducted any acquisitions, disposals or mergers that we consider to be material to us during the Track Record Period.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REORGANIZATION

In preparation for the [REDACTED] and to streamline our corporate structure, we underwent a reorganization of our corporate structure (the “**Reorganization**”), so that our onshore subsidiaries operating and serving our stores can be held by an onshore holding company. For this purpose, Dash Investment Co., Ltd. (達勢投資有限公司) (“**Dash HQ**”) was newly established as a limited liability company under the laws of the PRC on November 1, 2021 to act as our onshore holding company. Immediately prior to the completion of the Reorganization, Dash Shanghai, Shanghai Domino’s and Dash Beijing were directly wholly-owned by Dash Cayman. Upon the completion of the Reorganization, Dash Shanghai, Shanghai Domino’s and Dash Beijing were directly wholly-owned by Dash HQ.

Below is a diagram illustrating our corporate structure immediately before the Reorganization took place:



A diagram illustrating our corporate structure after completion of the Reorganization and immediately prior to the [REDACTED] is set out under “– Corporate structure immediately prior to the [REDACTED]”.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRE-[REDACTED] INVESTMENTS

(a). Principal terms of the Pre-[REDACTED] Investments and Pre-[REDACTED] Investors’ rights

The below table summarizes the principal terms of the Pre-[REDACTED] Investments:

Round	Date of initial share purchase agreement	Date of last payment of consideration	Approximate amount raised (US\$ million)	Cost per share	Discount to the [REDACTED] ⁽¹⁾
Series A	August 29, 2008	August 29, 2008	2.9	1.00	[REDACTED]
Series B	September 22, 2008	March 18, 2011	14.0	2.48	[REDACTED]
Series C	June 29, 2011	February 4, 2013	10.3	1.91	[REDACTED]
Series D	March 4, 2013	September 26, 2013	6.2	1.50	[REDACTED]
Series E	May 1, 2014	August 1, 2014	17.1	1.65	[REDACTED]
Financing in 2017	June 26, 2017	January 22, 2018	23.4	3.07	[REDACTED]
Financing in 2018	March 27, 2018	November 14, 2018	20.0	3.41	[REDACTED]
Financing in 2020 (First tranche)	April 27, 2020	May 4, 2020	40.0	4.62	[REDACTED]
Financing in 2020 (Second tranche)	April 27, 2020	January 29, 2021	40.0	4.91	[REDACTED]
Financing in 2021	December 6, 2021	December 10, 2021	50.0	6.95	[REDACTED]

Note:

- (1) Assuming the [REDACTED] is fixed at [REDACTED], being the mid-point of the indicative [REDACTED] range.

Basis of determining the consideration paid by each Pre-[REDACTED] Investor

The basis of determination for the consideration for the Pre-[REDACTED] Investments was arm’s length negotiations between us and the Pre-[REDACTED] Investors after taking into consideration the timing of the investments and the status of our business and operating entities. Accordingly, the Pre-[REDACTED] Investors acquired their respective interest in the Company at fair market value at the time each such Pre-[REDACTED] Investor made its investment. The fair market value of the Company’s shares has increased commensurately with the Company’s growth over time.

Lock-Up Period

The holders of the 2020 Senior Ordinary Shares and 2021 Senior Ordinary Shares have undertaken not to transfer any Shares held by such holder for a period of not less than 360 days following the completion of the [REDACTED].

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Use of Proceeds from the
Pre-[REDACTED]
Investments

The proceeds served the general working capital of our Company and was utilized for the development, expansion and operation of our Company’s business. As of the Latest Practicable Date, approximately 71% of the net proceeds from the Pre-[REDACTED] Investments by the Pre-[REDACTED] Investors were utilized.

Strategic benefits of the
Pre-[REDACTED] Investors
brought to our Company

At the time of the Pre-[REDACTED] Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by each of the Pre-[REDACTED] Investors’ investments in our Company, as well as each of the Pre-[REDACTED] Investors’ knowledge and experience. Our global brand, together with our track record in China, enabled us to gain recognition in the early stages of our development, which in turn enabled us to become acquainted with reputable professional and strategic investors, some of whom became our Pre-[REDACTED] Investors following arm’s length negotiations. Our Pre-[REDACTED] Investors include our global franchisor, Domino’s Pizza Inc., as well as global investment firms, family offices and individual investors with experience investing in our industry and China-based companies (see further details of our Pre-[REDACTED] Investors in paragraphs headed “—Information on the Pre-[REDACTED] Investors” below). As a result, our Directors believed that our Company could benefit from each of our Pre-[REDACTED] Investors’ industry insights and guidance. Our Directors were also of the view that the Company could benefit from the Pre-[REDACTED] Investors’ commitment to our Company as their investment demonstrates its confidence in the operations of our Company and serves as an endorsement of our Company’s performance, strength and prospects.

(b). Special rights of certain Pre-[REDACTED] Investors

Certain of the Pre-[REDACTED] Investors were granted certain special rights under the Amended and Restated Shareholders Agreement dated December 10, 2021, including pre-emptive rights, information rights, drag-along rights, tag-along rights and the right to appoint directors. The special rights under the Amended and Restated Shareholders Agreement will terminate upon the completion of the [REDACTED].

Each of the Class A Ordinary Shares, 2020 Senior Ordinary Shares and 2021 Senior Ordinary Shares will automatically be converted into Ordinary Shares of our Company upon the completion of the [REDACTED]. For further information about the shares of our Company, please see “Summary of the constitution of our Company and BVI company law – Articles of Association – Shares” in Appendix III.

(c). Public float

Upon completion of the [REDACTED], Good Taste Limited and Domino’s Pizza LLC will each control or hold in excess of 10% of the issued shares of the Company and therefore their shares will not be counted towards the public float for the purposes of the Listing Rules.

To the best knowledge, information and belief of our Directors, all the Pre-[REDACTED] Investors other than Good Taste Limited and Domino’s Pizza LLC are Independent Third Parties of our Group and their shares will be counted towards the public float for the purposes of the Listing Rules.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(d). Information on the principal Pre-[REDACTED] Investors

We set out below a description of our principal Pre-[REDACTED] Investors, being investors each holding 0.5% or more of our total issued Shares as at the date of this document (on a fully-converted basis).

Good Taste Limited ("GTL"), the Controlling Shareholder of our Company, is an exempted company limited by shares, incorporated on March 19, 2019 under the laws of Bermuda. GTL is ultimately wholly owned and controlled by the trustee of a discretionary family trust, in which Mr. James Leslie Marshall, a Director and the deputy chairman of our Company, is a protector, a discretionary beneficiary and a director of the trustee.

Domino's Pizza LLC is a Michigan limited liability company and is a wholly-owned operating subsidiary of Domino's, Inc., a Delaware corporation which in turn is a directly wholly-owned subsidiary of Domino's Pizza, Inc. ("DPI"), a Delaware corporation publicly listed on the New York Stock Exchange (NYSE: DPZ). Founded in 1960, DPI is the largest pizza company in the world in terms of 2020 global retail sales, with a significant business in both delivery and carryout pizza. DPI and its wholly-owned subsidiaries (collectively, "Domino's") are primarily engaged in the following business activities: (i) retail sales of food through Domino's-owned Domino's Pizza stores; (ii) sales of food, equipment and supplies to Domino's-owned and franchised Domino's Pizza stores through Domino's-owned supply chain centers; (iii) receipt of royalties, advertising contributions and fees from U.S. Domino's Pizza franchisees; and (iv) receipt of royalties and fees from international Domino's Pizza franchisees.

Nordant Industrial Corp. is a company limited by shares, which was registered under the laws of the British Virgin Islands under number 1579258 and incorporated on April 7, 2010. Nordant Industrial Corp. functions as a holding company with the single purpose of holding shares in other companies. Nordant Industrial Corp. is ultimately controlled by Salman bin Sultan bin Salman bin Abdulaziz Al Saud, who is also the sole director of Nordant Industrial Corp.

D1 Master Holdco I (Hong Kong) Limited, a company organized under the laws of Hong Kong, is wholly owned by D1 Master Holdco I LLC, a limited liability company organized under the laws of the State of Delaware, which is wholly owned by D1 Capital Partners Master LP, an exempted limited partnership organized under the laws of the Cayman Islands. D1 Capital Partners Master LP's general partner is D1 Capital Partners GP Sub LLC, a limited liability company organized under the laws of the State of Delaware, and which is ultimately controlled by D1 Capital Partners GP LLC, a limited liability company organized under the laws of the State of Delaware. D1 Capital Partners Master LP's limited partners are D1 Capital Partners Onshore LP, a limited partnership organized under the laws of the State of Delaware, and D1 Capital Partners Intermediate LP, an exempted limited partnership organized under the laws of the Cayman Islands. D1 Capital Partners Onshore LP's general partner is D1 Capital Partners GP LLC, and it has raised capital from limited partners that include high net worth individuals as well as institutional investors. D1 Capital Partners Intermediate LP's general partner is D1 Capital Partners GP LLC, and its sole limited partner is D1 Capital Partners Offshore LP, an exempted limited partnership organized under the laws of the Cayman Islands. D1 Capital Partners Offshore LP's general partner is D1 Capital Partners GP LLC and it has raised capital from limited partners that include high net worth individuals as well as

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

institutional investors. D1 Master Holdco I (Hong Kong) Limited, D1 Master Holdco I LLC, D1 Capital Partners Master LP, D1 Capital Partners Onshore LP, D1 Capital Partners Intermediate LP and D1 Capital Partners Offshore LP are directly or indirectly controlled by D1 Capital Partners GP LLC, as well as their investment manager, D1 Capital Partners L.P., a limited partnership organized under the laws of the state of Delaware, both of which are ultimately controlled by Daniel Sundheim. D1 Capital Partners L.P. manages private investment vehicles and other accounts which invest globally, in both public and private companies, primarily in the technology, media and telecom, industrials, healthcare, consumer, real estate and financial services sectors.

Alpha Wave Global, LP (“**Alpha Wave**”), a Delaware limited partnership, acts as the sole management company of Falcon Edge Global Master Fund, LP, Moraine Master Fund, LP and Alpha Wave Special Opportunities, LP, each an exempted limited partnership registered in the Cayman Islands. Alpha Wave is a global investment manager with offices in New York, Miami, London, Abu Dhabi, Tel Aviv, and Bangalore. Alpha Wave manages a variety of investment partnerships that cover a number of asset classes, themes, and geographies, and is ultimately controlled by Richard Gerson. Alpha Wave Ventures II, LP, an exempted limited partnership registered in the Cayman Islands, is controlled by its general partner, Alpha Wave Ventures GP, Ltd (“**Alpha Wave GP**”). Alpha Wave GP is a joint venture between Alpha Wave and Chimera Holding RSC Ltd, a company organized under the laws of the Abu Dhabi Global Market.

SMALLCAP World Fund, Inc. (“**SMALLCAP**”) is an open-end, diversified investment company registered under the U.S. Investment Company Act of 1940. SMALLCAP, which is advised by Capital Research and Management Company (“**CRMC**”), seeks to provide long-term growth of capital. CRMC is an experienced investment management organization founded in 1931 that serves as the investment adviser to SMALLCAP and other funds, including the American Funds. CRMC is a wholly-owned subsidiary of The Capital Group Companies, Inc. (“**Capital Group**”). Since 1931, Capital Group has been singularly focused on delivering superior, consistent results for long-term investors using high-conviction portfolios, rigorous research and individual accountability.

Matthew James Pringle is a resident of New Zealand who operates within the FMCG global market and holds a variety of investments within his personal portfolio.

The Barth Family Trust is the personal family trust for Avery B. and Andrew F. Barth. Avery and Andrew are the sole trustees. Andrew is a retired investment manager (32+ years) from The Capital Group.

High Tide (Bermuda) Limited (“**High Tide**”) is an investment company limited by shares incorporated under the laws of Bermuda. High Tide is owned by three Jersey companies, namely Zad Investments Limited, Elpis Investments Limited and Saf Capital Investments Limited (collectively, the “**SEZ Companies**”) via a nominee company, Apex Financial Services (Nominees) Limited. The SEZ Companies are currently 100% owned by a holding company, Galaxy Holdings Limited (“**GHCL**”), which is owned by three Jersey trusts, namely Zad Trust, Elpis Trust and Saf Trust. The ultimate beneficial owners of these trusts are Basma Alireza, Shakeeb Alireza and Yasmin Alireza, each of whom is a member of the Alireza family, which is associated with the Rezayat Group, a major diversified international enterprise based in Saudi Arabia. GHCL is in the process of being liquidated after which the SEZ Companies will be 100% owned by their respective trusts.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Upton Corporation (“**Upton**”) is an investment company limited by shares incorporated in the British Virgin Islands. Upton is 100% owned by Upton Investment Holdings Limited (“**UIHL**”), a private limited company incorporated in Jersey, Channel Islands. UIHL is 100% owned by Iron High Content Holdings Limited, a company incorporated in Jersey, which is in turn 100% owned by HSBC Trustee (C.I.) Limited in its capacity as trustee of the Iron High Content Trust (“**IHC Trust**”). The ultimate beneficial owner of this trust is Faiza Meyaser, a member of the Alireza family, which is associated with the Rezayat Group, a major diversified international enterprise based in Saudi Arabia. The IHC Trust was established to hold investment assets for the benefit of natural persons from the same family.

NCT Capital Limited, incorporated under the laws of British Virgin Islands, is an investment holding company owned by Johnny Kok Chung Chan and his wife, Yuda Udomitthiruj. Mr. Chan has 38 years of banking and investment experience and currently acts as the CIO for Cyberport Macro Fund as well as for Softech Investment Management Limited. Ms. Udomitthiruj is a Graduate of Georgetown University Law Centre and School of Foreign Service. She is a US qualified lawyer and a member of the New York State Bar Association.

Pacific Premier Trust (formerly known as PENSICO Trust Company) acts as the custodian for the Simplified Employee Pension IRA, or SEP IRA, accounts of Scott M. Probst and Gayle Probst, who are spouses and the ultimate beneficial owners of the shares held by Pacific Premier Trust. PENSICO Trust Company is a leading self-directed IRA custodian, helping individuals and institutions hold private equity, real estate, notes and alternative assets. Mr. Probst is a retired investment manager.

Circle C Enterprises, Inc. (“**Circle C**”) is a California S Corporation and is 100% owned by William Lindsey Chillingworth and his wife, Sheri Lynn Chillingworth, each of whom owns 50%. The purpose of the corporation is for business investments and consulting practices, and is incorporated in the State of California, USA. William L. Chillingworth is CEO and Chief Financial Officer of Circle C, and Sheri L. Chillingworth is Corporate Secretary. William Chillingworth has sole signatory rights.

JAWS Equity Owner 102, LLC (“**Jaws 102**”), a Delaware limited liability company, with its principal place of business in the State of Florida, is part of the family office of Barry S. Sternlicht. Jaws 102 was created for investing in private growth companies and is indirectly majority owned and controlled by Mr. Barry Sternlicht. Matthew Walters, an employee of Mr. Sternlicht’s family office, is a minority owner of Jaws 102.

COMPLIANCE WITH INTERIM GUIDANCE

On the basis that (i) the consideration for the Pre-[REDACTED] Investments was settled more than 28 clear days before the date of our first submission of the [REDACTED] application form, to the Listing Division of the Stock Exchange in relation to the [REDACTED] and (ii) the special rights granted to the Pre-[REDACTED] Investors will terminate upon the [REDACTED], the Sole Sponsor has confirmed that the Pre-[REDACTED] Investments are in compliance with the Guidance Letter HKEx-GL29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CAPITALIZATION

The following table sets out our shareholding structure on the date of this document and immediately upon the completion of the [REDACTED], assuming that (i) the [REDACTED] becomes unconditional and the [REDACTED] are issued pursuant to the [REDACTED], (ii) the [REDACTED] is not exercised, and (iii) no Shares are issued under the Share Incentive Plans.

Shareholders	Ordinary Shares	Class A Ordinary Shares	2020	2021	Aggregate number of shares of US\$1.0 par value each as of the date of this document	Aggregate ownership percentage as of the date of this document	Aggregate ownership percentage upon the completion of the [REDACTED]
			Senior Ordinary Shares	Senior Ordinary Shares			
Controlling Shareholder							
Good Taste Limited ⁽¹⁾	4,011,511	39,083,390	–	–	43,094,901	37.28%	[REDACTED]
Pre-[REDACTED] Investors							
Domino’s Pizza LLC ⁽²⁾	–	–	16,794,177	1,306,842	18,101,019	15.66%	[REDACTED]
Nordant Industrial Corp. D1 SPV Master Holdco I (Hong Kong) Limited	5,681,572	–	–	–	5,681,572	4.91%	[REDACTED]
Alpha Wave Special Opportunities, LP	5,247,513	–	–	–	5,247,513	4.54%	[REDACTED]
Moraine Master Fund LP	2,801,686	–	–	–	2,801,686	2.42%	[REDACTED]
Alpha Wave Ventures II, LP	2,639,297	–	–	–	2,639,297	2.28%	[REDACTED]
SMALLCAP World Fund, Inc.	2,522,006	–	–	–	2,522,006	2.18%	[REDACTED]
Mr. Matthew James Pringle	2,158,273	–	–	–	2,158,273	1.87%	[REDACTED]
Barth Family Trust	1,380,001	–	–	–	1,380,001	1.19%	[REDACTED]
High Tide (Bermuda) Ltd.	1,057,382	–	–	–	1,057,382	0.91%	[REDACTED]
Upton Corporation	844,802	–	–	–	844,802	0.73%	[REDACTED]
NCT Capital Limited	837,690	–	–	–	837,690	0.72%	[REDACTED]
Pensco Trust Company, LLC CUSTODIAN FBO Scott M. Probst, SEP IRA	750,000	–	–	–	750,000	0.65%	[REDACTED]
Circle C Enterprises, Inc.	636,891	–	–	–	636,891	0.55%	[REDACTED]
Jaws Equity Owner 102 LLC	621,400	–	–	–	621,400	0.54%	[REDACTED]
Other Pre-[REDACTED] Investors ⁽³⁾	586,510	–	–	–	586,510	0.51%	[REDACTED]
Directors and senior management							
Mr. Frank Paul Krasovec ⁽⁴⁾	18,424,853	–	–	–	18,424,853	15.94%	[REDACTED]
FPK Dash, LLC ⁽⁵⁾	2,604,025	–	–	–	2,604,025	2.25%	[REDACTED]
Molybdenite Holding Limited ⁽⁶⁾	128,452	–	–	–	128,452	0.11%	[REDACTED]
Mr. Zohar Ziv ⁽⁴⁾	999,698	–	–	–	999,698	0.86%	[REDACTED]
Mr. David Brian Barr ⁽⁴⁾	900,209	–	–	–	900,209	0.78%	[REDACTED]
Mr. Matthew James Ridgwell ⁽⁴⁾	545,509	–	–	–	545,509	0.47%	[REDACTED]
Samuel Chun Kong Shih ⁽⁴⁾	455,043	–	–	–	455,043	0.39%	[REDACTED]
Lihong Wang ⁽⁴⁾	44,872	–	–	–	44,872	0.04%	[REDACTED]
Other senior management ⁽⁷⁾	22,893	–	–	–	22,893	0.02%	[REDACTED]
Others							
Other pre-[REDACTED] Shareholders ⁽⁸⁾	755,448	–	–	–	755,448	0.65%	[REDACTED]
Other public Shareholders	–	–	–	–	–	–	[REDACTED]
Total	58,414,387	39,083,390	16,794,177	1,306,842	115,598,796	100%	100%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

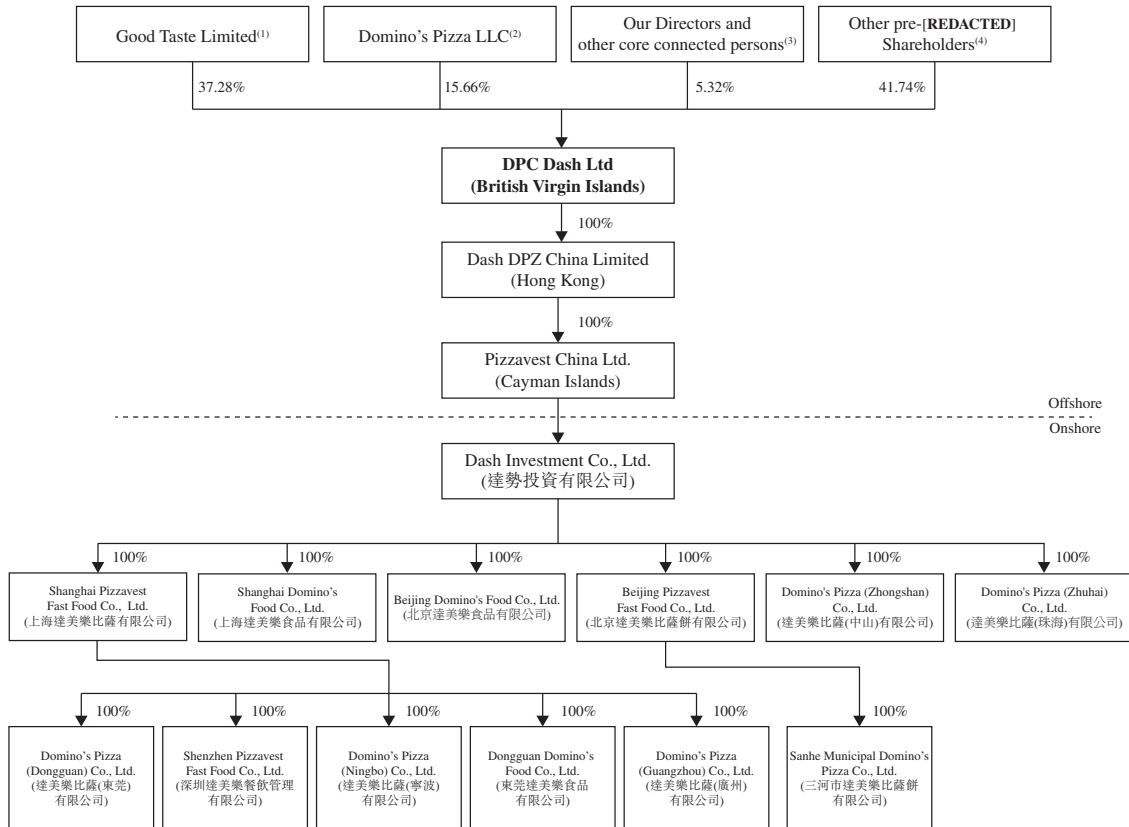
- (1) Good Taste Limited, one of the Controlling Shareholders of our Company, is wholly-owned by Ocean Investments Limited, the entire interest of which is in turn wholly-owned and managed by a corporate trustee for the benefit of a discretionary family trust in which, Mr. Marshall is the protector, a named person in its discretionary class of beneficiaries and one of the directors of the trustee. See “Relationship with the Controlling Shareholders” and “– Pre-[REDACTED] Investments – Information on the Pre-[REDACTED] Investors” for further information.
- (2) Domino’s Pizza LLC is wholly-owned by Domino’s, Inc., which is in turn wholly-owned by Domino’s Pizza, Inc. Domino’s Pizza, Inc. is a Delaware corporation with its shares listed on the New York Stock Exchange (NYSE: DPZ). See “– Pre-[REDACTED] Investments – Information on the Pre-[REDACTED] Investors” for further information.
- (3) Comprises a total of 145 shareholders each holding less than 0.5% of the total issued capital of our Company as of the date of this document, among which: (a) 4 shareholders each holds less than 0.5% but 0.4% or more of the total issued capital of our Company; (b) 6 shareholders each holds less than 0.4% but 0.3% or more of the total issued capital of our Company; (c) 13 shareholders each holds less than 0.3% but 0.2% or more of the total issued capital of our Company; (d) 33 shareholders each holds less than 0.2% but 0.1% or more of the total issued capital of our Company; and (e) 89 shareholders each holds less than 0.1% of the total issued capital of our Company.
- (4) One of our Directors. See “Directors and senior management” for more details.
- (5) FPK Dash, LLC, a company incorporated in Texas, the United States, is controlled by Mr. Frank Paul Krasovec, a non-executive Director and the chairman of our Company. See “Directors and senior management” for more details.
- (6) Molybdenite Holding Limited, a company incorporated under the laws of British Virgin Islands, is wholly owned by Ms. Aileen Wang, an executive Director and the chief executive officer of our Group. See “Directors and senior management” for more details.
- (7) Comprises Mr. Alex Zhong, Ms. Helen Wu, Mr. Michael Xu and Ms. Gening Wang, who hold their interest in our Company either directly or through their respective special purpose vehicles in the British Virgin Islands. See “Directors and senior management – Senior management” for more details.
- (8) Represents pre-[REDACTED] shareholders other than the Controlling Shareholder, Pre-[REDACTED] Investors and directors and senior management, and comprises a total of 24 shareholders each holding less than 0.5% of the total issued capital of our Company as of the date of this document.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Corporate structure immediately prior to the [REDACTED]

The following chart depicts the shareholding and beneficial ownership structure of our Group immediately prior to the completion of the [REDACTED], assuming no further Shares are issued under the Share Incentive Plans:



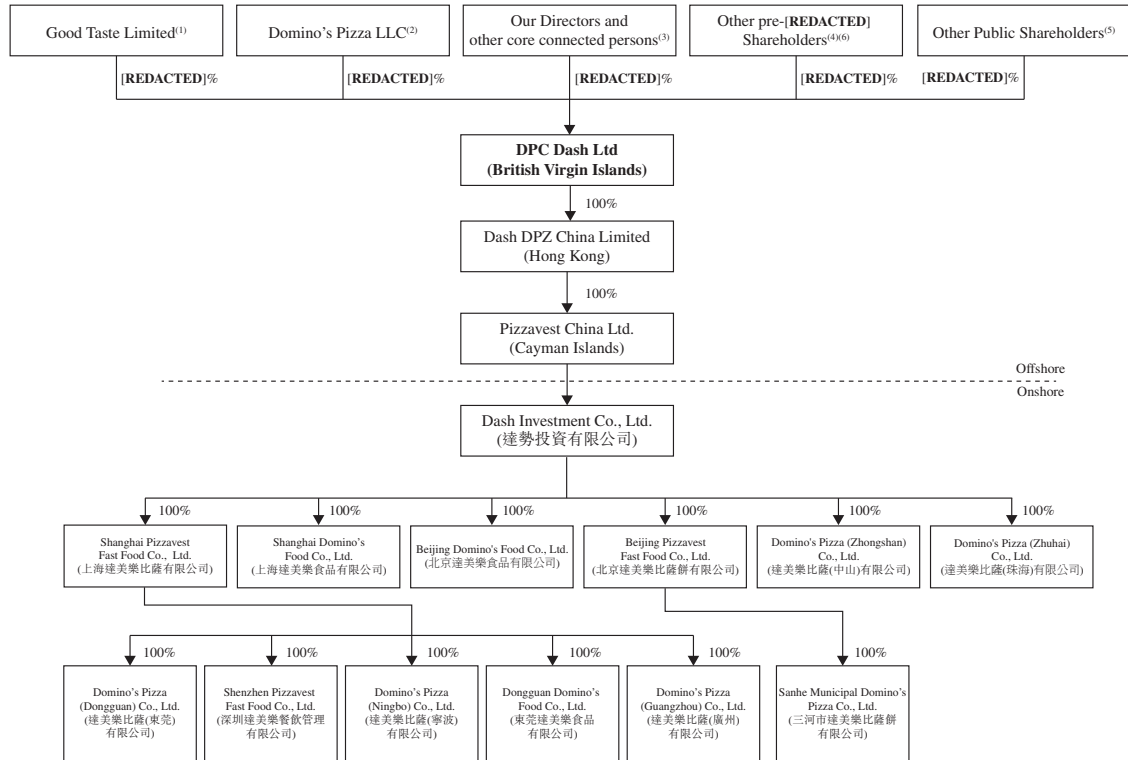
Notes:

- (1) Good Taste Limited, one of the Controlling Shareholders of our Company, is wholly-owned by Ocean Investments Limited, the entire interest of which is in turn wholly-owned and managed by a corporate trustee for the benefit of a discretionary family trust in which, Mr. Marshall is the protector, a named person in its discretionary class of beneficiaries and one of the directors of the trustee. See “Relationship with the Controlling Shareholders” and “– Pre-[REDACTED] Investments – Information on the Pre-[REDACTED] Investors” for further information.
- (2) Domino’s Pizza LLC is wholly-owned by Domino’s, Inc., which is in turn wholly-owned by Domino’s Pizza, Inc. Domino’s Pizza, Inc. is a Delaware corporation with its shares listed on the New York Stock Exchange (NYSE: DPZ). See “– Pre-[REDACTED] Investments – Information on the Pre-[REDACTED] Investors” for further information.
- (3) Comprises (i) seven of our Directors, namely Ms. Aileen Wang, Mr. Frank Paul Krasovec, Mr. Matthew James Ridgwell, Mr. Zohar Ziv, Mr. David Brian Barr, Mr. Samuel Chun Kong Shih and Ms. Lihong Wang, (ii) three of our directors at subsidiary level, namely Ms. Li Huo, Ms. Li Yao and Ms. Ying Yu, and (iii) Ms. Laura Christine Tong, the spouse of Mr. Shih, our independent non-executive Director.
- (4) Comprises 183 pre-[REDACTED] Shareholders. See “– Pre-[REDACTED] Investments” and “– Capitalization” for further information.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Corporate structure immediately following the [REDACTED]

The following chart depicts the shareholding and beneficial ownership structure of our Group immediately following the completion of the [REDACTED]:



Notes:

Notes (1) to (4): see Notes (1) to (4) in preceding pages under “– Corporate structure immediately prior to the [REDACTED]”.

(5) The expected public float immediately following completion of the [REDACTED] is approximately [REDACTED] %.

PRC LEGAL COMPLIANCE

Our PRC Legal Advisors confirmed that the establishment of our subsidiaries in China and their subsequent shareholding changes have complied with the relevant PRC laws and regulations in all material respects.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

SAFE REGISTRATION

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外融資及返程投資外匯管理有關問題的通知) (the “**SAFE Circular 37**”), promulgated by SAFE and which became effective on July 14, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the “**SAFE Circular 13**”), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Advisor, four of our shareholders, namely Aileen Wang (王怡), Alex Zhong (鐘軍), Michael Xu (徐歆奕) and Gening Wang (王毓璟), each of whom are PRC residents, have completed the required registration under SAFE Circular 37 as of January 11, 2022.

BUSINESS

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 547 stores across 12 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, and may incur net losses in the future. 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.

BUSINESS

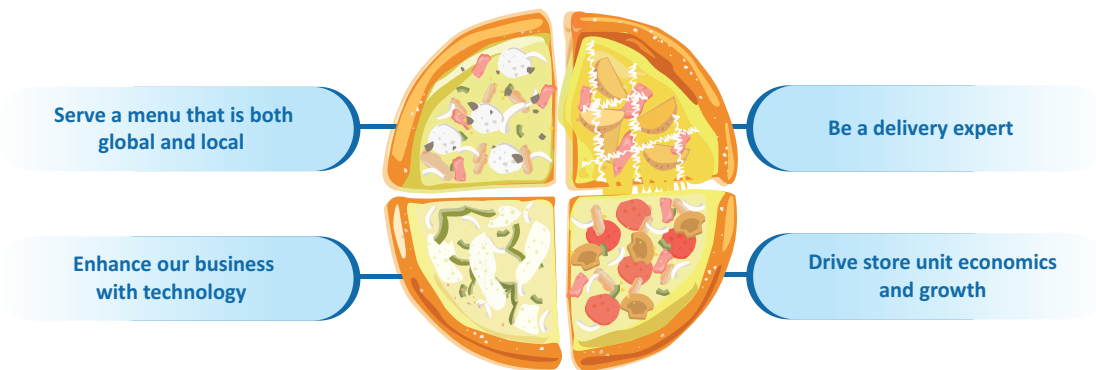
Within the China pizza market, the pizza delivery segment is expected to grow even faster than the overall China pizza market. In 2021, delivery sales amounted to RMB17.9 billion, accounting for 49.2% of the overall China pizza market. From 2021 to 2026, the pizza delivery segment is expected to grow 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.



Core Value Propositions



BUSINESS

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 RMB148.6 million and RMB83.3 million, respectively, while our Store EBITDA (non-IFRS measure) – a measure we use to evaluate the profitability of our stores – was RMB242.2 million and RMB138.3 million, representing a Store EBITDA margin (non-IFRS measure) of 15.0% and 15.2%, 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.

BUSINESS

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 4.4%, 4.0%, 9.2% and 9.2% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We recorded Store EBITDA (non-IFRS measure) margin of 10.6%, 10.6%, 15.0% and 15.2% 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 RMB83.1 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 RMB25.5 million and RMB34.9 million for 2019 and 2020, respectively, to earnings of RMB58.3 million and RMB42.8 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.

BUSINESS

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 and top-of-mind brand awareness, and have been rated the highest on the taste and innovativeness of our pizza, the quality and speed of our delivery service and the value for money of our offerings, according to the Frost & Sullivan Survey. 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.

BUSINESS

A pizza-focused menu that is innovative 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:

- *Top-rated taste and quality.* Consumers in Beijing and Shanghai rated our pizza highest on taste, according to the Frost & Sullivan Survey. 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.
- *Unparalleled 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.
- *Innovative and localized.* 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. As a result, in Beijing and Shanghai, our pizza has been rated the highest on innovativeness, according to the Frost & Sullivan Survey.
- *Value for money.* In Beijing and Shanghai, consumers rated us highest on value for money among leading pizza brands, according to the Frost & Sullivan Survey. 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.

BUSINESS

Our unique expertise and leadership in delivery

Delivery has been in DNA of the global Domino’s Pizza brand since 1960. It has also consistently been our focus in China. 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. As a result, our pizza delivery services were rated the highest on speed and overall service in Beijing and Shanghai, according to the Frost & Sullivan Survey. 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.

BUSINESS

- *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. In 2021 and the first half of 2022, we fulfilled our delivery promise for approximately 90% of our delivery orders, with an average order fulfillment time of 23 and 24 minutes, respectively.

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 innovative 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

BUSINESS

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 generate 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 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.

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. Although we recorded a net loss of RMB471.1 million and RMB95.5 million in 2021 and the six months ended June 30, 2022, respectively amidst our rapid store expansion, we recorded positive Store EBITDA

BUSINESS

(non-IFRS measure) of RMB242.2 million and RMB138.3 million, representing Store EBITDA margin (non-IFRS measure) of 15.0% and 15.2%, in 2021 and the six months ended June 30, 2022, respectively, reflecting our strong store-level profitability. These stores have helped improve our profitability at the group level, with our adjusted EBITDA (non-IFRS measure) becoming positive in 2021, reaching earnings of RMB58.3 million and RMB42.8 million, representing an adjusted EBITDA margin (non-IFRS measure) of 3.6% and 4.7%, 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) and Store EBITDA (non-IFRS measure) are 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 Store EBITDA (non-IFRS measure) 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.

BUSINESS

- *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 innovative 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) and Store EBITDA (non-IFRS measure) consistently improved over the same period, with our Adjusted EBITDA turning positive in 2021 and remaining positive in the six months ended June 30, 2022.

BUSINESS

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 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.

BUSINESS

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 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. 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

BUSINESS

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 innovation capabilities to continue launching localized items that are tailored for China.

BUSINESS

In particular, we intend to strengthen our leadership in pizza. To that end, we plan to strategically launch more innovative 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 and innovative 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

BUSINESS

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
	2019	2020	2021	June 30, 2022
Beijing	81	100	124	136
Shanghai	99	121	143	147
Shenzhen	24	44	64	67
Guangzhou	7	21	41	44
Tianjin	17	25	35	39
Hangzhou	17	22	26	29
Nanjing	14	18	18	23
Suzhou	8	9	9	10
Wuxi	1	3	7	7
Ningbo	–	–	1	2
Foshan	–	–	–	3
Dongguan	–	–	–	1
	_____	_____	_____	_____
Total	268	363	468	508
	=====	=====	=====	=====

BUSINESS

Growth of our store network

Historical store movement

The following table sets forth the movement of our stores during the Track Record Period:

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

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 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 continue to open new stores at a rapid pace in 2024 and 2025.

BUSINESS

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.

These new stores will be opened in China’s Tier 1, New Tier 1 and Tier 2 cities, which will provide significant whitespace for growth in the next few years. 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. 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.

BUSINESS

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], our planned investment costs for opening new stores in 2022 and 2023 will be approximately [REDACTED] and [REDACTED], respectively. We plan to fund such store network expansion with the [REDACTED] from the [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 RMB92 million since December 31, 2021 and up to the Latest Practicable Date. 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 79 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 41 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.

BUSINESS

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. At the group level, we recorded Store EBITDA margin (non-IFRS measure) of 10.6%, 10.6%, 15.0% and 15.2% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. In Beijing and Shanghai, Store EBITDA margin (non-IFRS measure) improved steadily, and was 19.0%, 19.5%, 22.9% and 22.3% for 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. In our new growth markets, Store EBITDA margin (non-IFRS measure) improved more rapidly, and was (3.8%), (2.7%), 6.7% and 12.9% for 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Store EBITDA is a non-IFRS measure, and Store EBITDA margin for a given market is calculated using Store EBITDA margin for that market, less certain unallocated costs. For more information, please see “Financial Information – Non-IFRS measures” and “Financial Information – Key Financial Ratios”.

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

BUSINESS

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.

BUSINESS

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

BUSINESS

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.

BUSINESS

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

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.

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.

BUSINESS

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:



BUSINESS

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”.

BUSINESS

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



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”.

BUSINESS

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)					
<i>By market</i>					
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
Average daily sales per store⁽²⁾ (RMB)					
<i>By market</i>					
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
Average orders per store per day⁽⁴⁾ (#)					
<i>By market</i>					
Beijing and Shanghai	147	140	138	142	139
New growth markets ⁽³⁾	79	75	89	91	100
All markets	128	117	118	122	120

BUSINESS

	For the year ended or as of December 31,			For the six months ended or as of	
	2019	2020	2021	June 30, 2021	2022
Average sales value per order⁽⁵⁾ (RMB)					
<i>By market</i>					
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
Store-level operating profit margin⁽⁶⁾ (%)	4.4	4.0	9.2	9.4	9.2
Store EBITDA margin (non-IFRS measure)⁽⁷⁾ (%)					
<i>By market</i>					
Beijing and Shanghai ⁽⁸⁾	19.0	19.5	22.9	23.0	22.3
New growth markets ⁽⁸⁾	(3.8)	(2.7)	6.7	6.8	12.9
All markets	10.6	10.6	15.0	15.2	15.2

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) Calculated by dividing store-level operating profit by revenue for the same period. Store-level operating profit is 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.

BUSINESS

- (7) Store EBITDA is a non-IFRS measure, and Store EBITDA margin is a key financial ratio calculated using Store EBITDA. We use these non-IFRS measures to evaluate store performance. For more information, see “Financial information – Non-IFRS measures” and “Financial information – Key financial ratios”.
- (8) Calculated for a given year and a given market by dividing Store EBITDA (non-IFRS measure) (excluding unallocated costs) by total revenue, in each case for that market and that year, and multiplying the result by 100%. Unallocated costs 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 EBITDA (non-IFRS measure) by market. In 2019, 2020 and 2021, these unallocated costs amounted to RMB39.4 million, RMB46.7 million and RMB51.4 million, representing 4.7%, 4.2%, and 3.2% of revenue, respectively. In the six months ended June 30, 2021 and 2022, these unallocated costs amounted to RMB25.7 million and RMB33.7 million, representing 3.4% and 3.7% of revenue, respectively. For details, see “Financial Information – Non-IFRS measures”.

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 group-wide 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 group-wide 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 innovation, active marketing and trade-up strategies in combo offerings, which have enabled us to increase sales

BUSINESS

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 innovation, 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 dine-in 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.

BUSINESS

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)					
<i>By year of opening</i>					
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
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.

BUSINESS

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 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 group-wide 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.

BUSINESS

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 group-wide 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. 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 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 innovative menu – Our value for money pricing policy” for more information about our pricing policy.

Store-level operating profit margin and Store EBITDA margin

During the Track Record Period, our store-level operating profit margin was 4.4%, 4.0%, 9.2% and 9.2% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Store EBITDA margin (non-IFRS measure) was 10.6% in 2019 and 2020, and increased to 15.0% and 15.2% in 2021 and the six months ended June 30, 2022, respectively, representing an overall increase of 4.6 percentage points over the course of the Track Record Period.

We attribute the improvements in our store-level operating profit margin and Store EBITDA margin (non-IFRS measure) 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. The gains in profitability caused by operating costs were 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.

BUSINESS

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. In 2019, 2020, 2021 and the six months ended June 30, 2022, the Store EBITDA margin (non-IFRS measure) for Beijing and Shanghai was 19.0%, 19.5%, 22.9% and 22.3%, while the Store EBITDA margin (non-IFRS measure) for our new growth markets was (3.8%), (2.7%), 6.7% and 12.9%, respectively. 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.

As the proportion of stores that have ramped up rises, our brand awareness grows and our economies of scale further increase, we believe that there is ample room for our store-level operating profit margin and Store EBITDA margin (non-IFRS measure) to increase in the future.

Store EBITDA is a non-IFRS measure that we use to evaluate store performance. Store EBITDA margin is a financial ratio calculated using Store EBITDA, and Store EBITDA margin for a given market is calculated using Store EBITDA for that market less certain unallocated costs. For more information, including for a reconciliation of Store EBITDA to store-level operating profit, a comparable IFRS measure, see “Financial information – Non-IFRS measures” and “Financial information – Key financial ratios”.

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. We define same stores as those Domino’s Pizza stores that were open for at least 18 months in both 2019 and 2020 or in both 2020 and 2021, or were open for at least nine months in both the six months ended June 30, 2021 and 2022, as the case may be.

	For the years ended December 31, 2019	For the years ended December 31, 2020	For the years ended December 31, 2021	For the six months ended June 30, 2021	2022
Number of same stores (#)					
<i>By market</i>					
Beijing and Shanghai	157		195		221
New growth markets ⁽¹⁾	60		106		139
	<hr/>		<hr/>		<hr/>
Total	217		301		360
	<hr/> <hr/>		<hr/> <hr/>		<hr/> <hr/>

BUSINESS

	For the years ended		For the years ended		For the six months	
	December 31, 2019	2020	December 31, 2020	2021	ended June 30, 2021	2022
Same-store sales⁽²⁾						
(RMB in millions)						
<i>By market</i>						
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
Same-store sales year-on-year growth (%)						
<i>By market</i>						
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.

BUSINESS

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. 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.

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.

BUSINESS

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. The Store EBITDA (non-IFRS measure) of the Non-Breakeven Stores was RMB(0.6) million, RMB(2.8) million, RMB(10.3) million and RMB(5.0) million, representing Store EBITDA margin (non-IFRS measure) of (73.8%), (42.9%), (33.5%) and (17.9%), 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.

BUSINESS

OUR INNOVATIVE MENU

We are focused on being a pizza expert, which consumers have recognized—in Beijing and Shanghai, our pizza has been rated the highest on taste and innovativeness, according to the Frost & Sullivan Survey. 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 innovation. 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.
- *Highly innovative and localized.* We have designed an innovative 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.

BUSINESS

- *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:



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 bolognese, to localized and innovative 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.

BUSINESS

- *Drinks.* We offer a variety of innovative, 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



滋滋烤牛肉串
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 Bolognese



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



BUSINESS

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 innovative image. 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.

BUSINESS

- *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. Consumers in Beijing and Shanghai rated us the highest on value for money among pizza restaurants, according to the Frost & Sullivan Survey. 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.

BUSINESS

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. 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. In 2021 and the first half of 2022, we delivered approximately 90% of our orders within 30 minutes, with an average order fulfillment time of 23 and 24 minutes, respectively.

BUSINESS

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.”

BUSINESS

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 as 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.

BUSINESS

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 costs and profit margins, 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”.

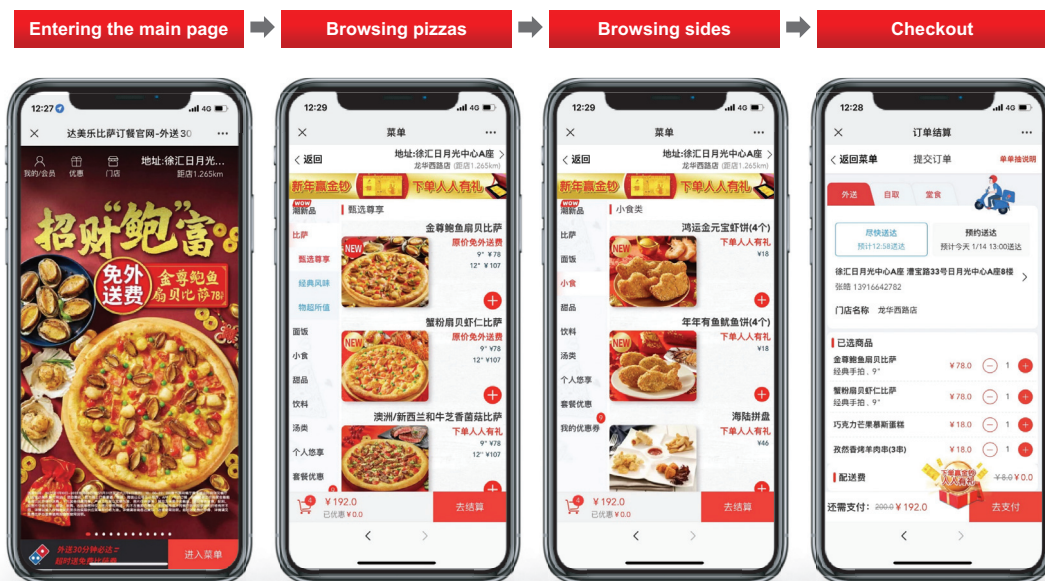
BUSINESS

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:



BUSINESS

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



BUSINESS

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.

BUSINESS

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. 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

BUSINESS

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

BUSINESS

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.

BUSINESS

- *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 BRCS 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.

BUSINESS

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.

BUSINESS

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	2021	2022
	<i>(RMB millions)</i>					<i>(RMB millions)</i>	
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 innovation 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.

BUSINESS

- *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. Our top five suppliers in aggregate accounted for less than 30% of our total purchases for each of the years ended December 31, 2019, 2020, 2021, as well as the six months ended June 30, 2022. 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%

BUSINESS

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%

BUSINESS

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:

BUSINESS

- *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

BUSINESS

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 June 30, 2022, we had three central kitchens:

- Our Sanhe, Hebei central kitchen serves our operations in Northern China;
- Our Shanghai central kitchen serves our operations in Eastern China; and
- Our Dongguan, Guangdong central kitchen serves our operations in Southern China.

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.

BUSINESS

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
	<i>(million kg, except for percentages)</i>									
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.

BUSINESS

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 innovative technologies, such as voice-directed picking, to improve our picking and inventory accuracy, as well as the productivity and efficiency of our warehouses.

BUSINESS

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 of 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”.

BUSINESS

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 innovative 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, innovative 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.

BUSINESS

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 innovative, 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.

BUSINESS

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 loyalty points 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 loyalty points the customized rewards we offer, and we believe our loyalty program fosters loyalty to our brand.

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 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.

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 loyalty points by placing orders on our own channels. Customers can also earn loyalty points 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.

BUSINESS

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.

BUSINESS

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 accounted for less than 1.0% of our total revenue for each of 2019, 2020, 2021 and the six months ended June 30, 2022. 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.

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.

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.

BUSINESS

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, where we have been rated the highest on taste, value for money, product innovativeness and overall delivery service, according to the Frost & Sullivan Survey. 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 innovation, 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.

BUSINESS

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.

BUSINESS

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 for the periods indicated.

	As of December 31,			As of June 30,	
	2019	2020	2021	2021	2022
Store and Central Kitchen Level					
Full-time store staff	1,245	1,849	2,529	2,098	2,714
Part-time store staff	5,540	6,895	9,271	8,382	9,705
Full-time central kitchen staff	116	121	118	119	134
Subtotal	6,901	8,865	11,918	10,599	12,553
Corporate Level					
Full-time staff	255	303	344	320	351
Total	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 dedicated 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.

BUSINESS

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.

BUSINESS

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 year by counting all of the full-time employees or part-time employees that made a delivery at any time that year. On that basis, we had approximately 3,500, 4,300, 5,000 and 6,500 riders as of December 31, 2019, 2020, 2021 and June 30, 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 directly 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”.

BUSINESS

Notwithstanding the fact that the Guiding Opinions do not apply directly 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	547
Central kitchens and warehouses	3
Offices	4
	<hr/>
Total	554

BUSINESS

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 six years, with extension options, which we have historically extended 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. 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	28	50	60	82	85	62
GFA (sq.ft)	3,519	6,358	7,605	10,265	10,576	8,100
Outstanding lease liabilities (RMB ‘000)	1,579	26,291	59,157	99,047	134,362	106,243

As of the Latest Practicable Date, we leased 554 properties in China with an aggregate gross floor area of approximately 93,762.22 square meters. Lessors of 16 leased properties (with an aggregate GFA of approximately 2,800 square meters, representing approximately 2.99% 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. 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.

BUSINESS

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 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.

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. 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.

BUSINESS

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 is entitled to terminate the Master Franchise Agreement, it may instead require the Company to reduce the size of the Territory.

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.”

BUSINESS

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.

BUSINESS

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.

BUSINESS

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 innovations.
- (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.

BUSINESS

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.

BUSINESS

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 innovation, 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; and
- (iv) 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. Our freight mileage has also been reduced in part due to our technology capability that enables optimal delivery routes.

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.

BUSINESS

Environmental compliance

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 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.

BUSINESS

As a result of our continued commitment to environmental protection, we have made remarkable advances in the adoption of renewable packaging solutions and the reduction of overall packaging use, among other achievements. For example, 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. For dine-in and delivery orders, we use takeaway bags made of 100% degradable plastics, 100% biodegradable paper straws and wooden knives and forks. We achieved a year-on-year reduction of 544 tons in 2021. We intend to continue exploring other environmentally friendly alternatives in our pathway to sustainable packaging in the 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.

BUSINESS

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	
	2019	2020	2021	June 30, 2021	2022
Percentage of revenue⁽¹⁾					
<i>By settlement method</i>					
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%

BUSINESS

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”.

BUSINESS

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.

BUSINESS

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
<i>Awards/recognition awarded by Domino’s Pizza, Inc.</i>		
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.
<i>Other awards/recognition</i>		
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)

BUSINESS

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	563
Food Operation License	550
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	160

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.

BUSINESS

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.

BUSINESS

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.

One store successfully completed its Fire Safety Inspection in April 2022. Another store has substantially completed the application process, and is expected to obtain the formal certificate in October 2022. 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 either obtained or are about to obtain the Fire Safety Inspection certificate without any impediment, 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 that the building-wide renovations will be completed by the end of 2022.

BUSINESS

- (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. Nevertheless, we cannot guarantee that our applications will be approved in a timely manner or at all. If we are unable to obtain such approvals, 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. As advised by our PRC Legal Advisor, 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, one store has completed the Fire Safety Inspection and another store is expected to obtain the Fire Safety Inspection certificate in October 2022. 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, we plan to relocate the relevant stores. We do not foresee any difficulties in executing such a contingency plan.

BUSINESS

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.

BUSINESS

- *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

BUSINESS

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.

BUSINESS

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 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.

REGULATIONS

OVERVIEW OF PRC LAWS AND REGULATIONS

Laws and Regulations Relating to Corporation and Foreign Investment

Under the PRC legal regime, the establishment, operation, and management of companies in China is governed by the PRC Company Law (the “**Company Law**”) (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People’s Congress of the PRC on December 29, 1993, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. Pursuant to the Company Law, companies established in the PRC may take forms of company of limited liability or company limited by shares. Each company has the status of legal persons and uses the assets it owns to bear its liability. The foreign-invested company shall also abide by the Company Law unless relevant laws and regulations provide otherwise.

On March 15, 2019, the National People’s Congress promulgated the 2019 PRC Foreign Investment Law of the PRC (the “**Foreign Investment Law**”) (《中華人民共和國外商投資法》), which became effective on January 1, 2020, and replaced the major former laws and regulations governing foreign investment in the PRC. According to the Foreign Investment Law and its implementing rules, the state adopts a system of pre-entry national treatment plus a negative list for foreign investment administration. Foreign investors shall not invest in the prohibited industries as specified in the negative list, and they must meet certain conditions stipulated in the said negative list before investing in the restricted industries, while foreign investments beyond the negative list will be granted national treatment.

The current requirements of industry entry clearance governing investment activities in the PRC by foreign investors are set out in two categories, namely the Special Administrative Measures (Negative List) (Edition 2021) for Foreign Investment Access (《外商投資准入特別管理措施(負面清單)(2021年版)》), the latest amended version of which was jointly promulgated by the National Development and Reform Commission and the Ministry of Commerce on December 27, 2021, and took effect as of January 1, 2022, and the Encouraged Industry Catalogue for Foreign Investment (Edition 2020) (《鼓勵外商投資產業目錄(2020年版)》). Industries not listed in these two categories are generally deemed “permitted” for foreign investment unless otherwise restricted by other PRC laws. In general, catering services and related business operated by the Company is classified as an industry where foreign investments are allowed.

In accordance with the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) which was jointly promulgated by the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the State Administration for Industry and Commerce, the CSRC and the SAFE and took effect on September 8, 2006, as latest amended on June 22, 2009 by the MOFCOM, a foreign investor was required to obtain necessary approvals when (i) it acquires the equity in a domestic enterprise or subscribes for the increased registered capital of whereby converting the latter into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which acquires and operates the assets of a domestic enterprise, or which acquires the assets of a domestic enterprise and thereafter injects those assets to establish a foreign-invested enterprise.

REGULATIONS

According to Article 11 of the M&A Rules, where a domestic company, enterprise or an individual, through an overseas company established or controlled by it/him/her, acquires a domestic company which is related to or connected with it/him, an approval from MOFCOM is required. Article 39 of the M&A Rules further provides that, offshore special purpose vehicles, formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, must obtain an approval from the CSRC prior to listing and trading of its securities on an overseas stock exchange. However, our PRC subsidiaries were established by us through foreign direct investment without involving any acquisition of the equity or assets of a “PRC domestic company” as defined under the M&A Rules. Therefore, under the PRC laws and regulations currently in effect, we are not required to obtain such approval from the MOFCOM or the CSRC.

On December 30, 2019, the Ministry of Commerce and the State Administration for Market Regulation, jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the said Measures, where a foreign investor directly or indirectly carries out investment activities in China, the foreign investor or the foreign-invested enterprise must forward the investment information to the competent commerce department for further handling.

Laws and Regulations Relating to the Licenses and Permits

Food Safety

In accordance with the Food Safety Law of the PRC (the “**Food Safety Law**”) (《中華人民共和國食品安全法》), as effective on June 1, 2009 and latest amended on April 29, 2021, the State Council implemented a licensing system for food production and trading activities. Anyone who engages in food production, food selling, or catering services shall obtain the license according to the Food Safety Law.

Pursuant to the Food Safety Law, the food safety supervision and administration department of the State Council shall supervise and administer food production and trade activities according to the duties defined by the Food Safety Law and other standards prescribed by the State Council. The health administrative department under the State Council shall organize the implementation of risk monitoring and risk assessment of food safety according to the duties defined by the Food Safety Law and the State Council. The department shall also formulate and issue national food safety standards together with the food and drug administration under the State Council. Other relevant departments under the State Council shall carry out relevant food safety work according to the duties defined by the Food Safety Law and the State Council.

As sanctions for violation of the Food Safety Law, the Food Safety Law sets out various administrative penalties in the form of warnings, orders to rectify, confiscations of illegal gains, confiscations of utensils, equipment, raw materials, and other articles used for illegal

REGULATIONS

production and operation, fines, recalls and destructions of food in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation license, and even criminal punishment.

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

Food Operation Licensing

On August 31, 2015, the Food and Drug Administration (now merged into the State Administration for Market Regulation) promulgated the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》), which was amended on November 17, 2017. According to the said Measures, a food operation license shall be obtained in accordance with the law to engage in food selling and catering services within the territory of China. Food business operation licensing shall be subject to the principle of “one license for one site”, that is, a food operator shall obtain a food operation license to engage in food operation activities in one operation site. Food and drug administrative authorities shall implement classified licensing for food operations according to food operators’ types and the degree of risk of their operation projects. The date on which the decision on licensing is made shall be the date of issuance of the food operation license, and the license is valid for five years. Food operators shall hang or place their food operation license originals in prominent places of their operation sites. Where the licensing items indicated on a food operation license change, the food operator shall, within ten (10) working days after the changes take place, apply to the food and drug administrative authority which originally issued the license for alteration of the operation license. Those who fail to obtain a food operation license and engage in food operation activities shall be punished by the local food and drug administrative authorities at or above the county level. Failures to comply with the above requirements may subject the food operators to legal consequences such as being ordered to rectify, receiving warnings and being fined.

Food Recall System

China Food and Drug Administration (now merged into the State Administration for Market Regulation) has promulgated the Administrative Measures for Food Recall (《食品召回管理辦法》), effective on September 1, 2015, amended on October 23, 2020. Food producers and operators shall, in accordance with the Administrative Measures for Food Recall, be the primary persons legally liable for food safety, establish and improve the relevant management systems, collect and analyze food safety information, and perform the obligations of ceasing to produce, operate, recall and dispose of unsafe foods. Where food business operators find the food under selling unsafe, they must immediately suspend the operations, inform relevant food producers and business operators, notify customers, and take necessary measures to mitigate food safety risks. Where food safety problems occur due to the food operators’ own reasons,

REGULATIONS

the food operators shall voluntarily recall the food of questionable quality. Food producers knowing that any food produced or traded is unsafe must proactively recall such food, and if the food operators know that the food producers have recalled the unsafe food, they shall immediately adopt measures such as ceasing to purchase, sell, sealing up unsafe food, posting the recall announcement issued by the producers in a prominent position of operation premises, and cooperating with food producers to start recalling.

Where any food operator violates the Food Safety Law and the Administrative Measures for Food Recall and does not suspend the operation or proactively recall unsafe food in a timely manner, the food and drug administrative authorities shall issue warnings to it and impose fines between RMB10,000 and RMB30,000. Where any food operator who violates the Administrative Measures for Food Recall, or does not cooperate with food producers to recall unsafe food, the market supervisory and administrative authorities shall issue warnings to it and impose fines ranging from RMB5,000 to RMB30,000.

Online Catering Services

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

Regulations Relating to the Sanitation of the Public Places

The Regulation on the Administration of Sanitation in Public Places (《公共場所衛生管理條例》) effective on April 1, 1987, and latest amended on April 23, 2019, and the Implementation Rules for the Regulation for the Administration of Sanitation in Public Places (《公共場所衛生管理條例實施細則》) effective on June 1, 1991, and amended on December 26, 2017, were promulgated by the State Council and the Ministry of Health (later known as the National Health Commission) respectively. The said regulations were adopted to create favorable and sanitary conditions for the public places, prevent disease transmission and safeguard people’s health. Depending on the requirements of the local health authorities, a restaurant operator shall obtain a public place hygiene license from the local health authority after applying for a business license to operate its business.

The Decision of the State Council on the Integration of Sanitary permits and Food Business licenses in Public places for Restaurant Services (《國務院關於整合調整餐飲服務場所的公共場所衛生許可證和食品經營許可證的決定》), which was promulgated by the State

REGULATIONS

Council on February 3, 2016, cancelled the hygiene license issued by the local health authorities for four kinds of public places mentioned above, and integrates the contents of the food safety permits into the food operation licenses issued by the food and drug regulatory authorities.

Regulations Relating to Food Advertisement

The Advertising Law of the PRC (the “**Advertising Law**”) (《中華人民共和國廣告法》) was promulgated by the SCNPC on October 27, 1994, and was latest amended on April 29, 2021, which applies to the commercial advertising activities conducted by business operators or service providers within the territory of PRC to directly or indirectly introduce their commodities or services through a certain medium and form.

According to the Advertising Law of the PRC, advertisements shall not contain any false or misleading information, and shall not deceive or mislead customers. Each advertiser, advertising agent or advertisement publisher shall comply with laws and regulations, act in good faith, and conduct the fair competition when engaging in advertising activities. In an advertisement, the statements regarding the performance, function, place of origin, use, quality, ingredients, price, producer, valid period and guarantees of the product, or the content, provider, form, quality, price and guarantees of the service, shall be accurate, clear and explicit. Failure to comply with the Advertising Law may subject the violators to punishment, including but not limited to fine, confiscating advertising fees, suspension of the advertisement publishing business, revocation of business license, or revocation of advertisement censorship.

Regulations Relating to Single-Purpose Commercial Pre-Paid Cards

The Administrative Measures for Single-purpose Commercial Prepaid Cards (for Trial Implementation) (《單用途商業預付卡管理辦法(試行)》) was promulgated by the Ministry of Commerce on September 21, 2012 and amended on August 18, 2016. Single-purpose commercial pre-paid cards refer to pre-paid certificates that are issued by an enterprise engaged in retail, accommodation, catering, and residential services, and which are exclusively used to pay for goods or services within the group to which the enterprise belongs to or within the franchise system of one brand. This includes but not limited to physical cards in the form of magnetic stripe cards, chip cards paper coupons, and virtual cards in the form of passwords string codes, graphics and biometric information. In accordance with relevant provisions of the said Measures, Card issuers shall file with the competent commerce department at the location of industrial and commercial registration for record, within 30 days of starting to offer single-purpose card services. If any card-issuing enterprise fails to comply with the provisions of the said Measures, the competent commerce department of the people’s government above the county-level in the locality where such violation occurs shall order it to make rectifications. Where the enterprise fails to do so within the said time limit, the enterprise shall be subject to a fine of more than RMB10,000 and less than RMB30,000.

REGULATIONS

Regulations Relating to E-Commerce Activities

The obligations for operators of e-commerce platforms are clarified in the E-Commerce Law of the People’s Republic of China (the “**E-Commerce Law**”) (《中華人民共和國電子商務法》), which was promulgated by the SCNPC on August 31, 2018, and took effect on January 1, 2019. Pursuant to the E-Commerce Law, the e-commerce platforms shall

- (i) require merchants that apply to sell products or provide services on its platform to submit truthful information, including the identities, addresses, contacts, and licenses;
- (ii) verify and examine the information mentioned above;
- (iii) establish registration archives and verify, examine and update such information on a regular basis;
- (iv) submit identification information of merchants on its platform to market regulatory authorities and remind merchants that have not registered with market regulatory authorities to complete the relevant registration;
- (v) submit identities and tax payment-related information of the merchants on its platform to tax authorities and remind merchants that have not registered with tax authorities to complete the relevant tax registration;
- (vi) conspicuously display the terms of platform service agreements, transaction rules or links to such information on the homepage of the platform and ensure that merchants and consumers can read and download such information conveniently; and
- (vii) restrain from deleting any comments made by consumers on any products sold or service provided on its platform.

Where an e-commerce platform operator fails to take necessary measures when it knows or should have known that the products or services provided by a merchant on its platform do not meet the requirements regarding personal or property safety or commits any other acts that impair the lawful rights and interests of consumers, such operator shall be held jointly liable with the merchants on its platform. Where an e-commerce platform operator fails to verify and examine the qualifications of a merchant on its platform or fails to fulfill its obligation to assure the safety of consumers concerning products or services affecting consumers’ life and health, which results in damage to consumers, such operator shall take the corresponding liability. Where an e-commerce platform operator knows or should have known that a merchant on its platform has infringed any intellectual property right of other third parties, it shall take necessary measures, such as deleting or blocking the relevant information, disabling the relevant links, and terminating the relevant transactions and services; otherwise, such operator shall be held jointly liable with the infringing party.

REGULATIONS

Laws Relating to Consumer Rights and Benefits

The principal legal provisions for the protection of consumer interests are set out in the PRC Consumer Rights and Interests Protection Law (the “**Consumer Protection Law**”) (《中華人民共和國消費者權益保護法》), which was promulgated on October 31, 1993, and came into effect on January 1, 1994, and was subsequently amended in 2009 and 2013. Pursuant to the Consumer Protection Law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage, and term of validity of the commodities. Failure to comply with the Consumer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacing or repairing the commodities, mitigating the damages, compensation, and restoring the reputation, and subject the business operators or the responsible individuals to criminal penalties if business operators commit crimes by infringing the legitimate rights and interests of customers.

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

PRC Competition Law

The principal legal provisions governing market competition are set out in the Anti-unfair Competition Law of the PRC (the “**Anti-Unfair Competition Law**”) (《中華人民共和國反不正當競爭法》), which was promulgated by the Standing Committee of the NPC on September 2, 1993, and then amended respectively on November 4, 2017, and April 23, 2019. In accordance with the Competition Law, operators should abide by the principles of involuntariness, equality, fairness, honesty, and credibility, and abide by laws and recognized business ethics when trading in the market. When an operator disrupts the competition order and infringes the legitimate rights and interests of other operators or consumers in violation of the Anti-Unfair Competition Law, its behavior constitutes unfair competition. When the legitimate rights and interests of an operator are damaged by unfair competition, the operator may start a lawsuit in the people’s court. In contrast, if an operator violates the provisions of the Anti-Unfair Competition Law, engages in unfair competition, and causes damage to another operator, it shall be liable for damages. If the damage suffered by the injured operator is difficult to ascertain, it shall be determined in accordance with the profit obtained by the infringer through the infringement. The infringer shall also bear all reasonable expenses paid by the infringed operator to stop the infringement.

REGULATIONS

Regulations Relating to Real Estate Leasing

According to the PRC Civil Code (《中華人民共和國民法典》) which took effect on January 1, 2021, the lessee may sublease the leased premises to a third party with the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. In contrast, the lessee may terminate the lease contract if the leased property could not be used due to the reasons of the lessors, such as the ownership of the leased real estate is in dispute.

Pursuant to the PRC Civil Code, if the mortgaged property has been leased and transferred for occupation before the establishment of the mortgage right, the original tenancy shall not be affected by such mortgage right. According to the Interpretation of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings (Revised 2020) (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》(2020年修正)), which was promulgated by the Supreme People’s Court on July 30, 2009, and amended on December 29, 2020, if the ownership of the leased premises changes during the period when the lessee is in possession in accordance with the lease contract, and the lessee requests the assignee to continue to perform the original lease contract, the PRC court shall support it, except that the mortgage right has been established before the real estate being leased and the ownership changes due to the mortgagee’s realization of the mortgage right.

According to the Interpretation of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings (Revised 2020) (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》), a lease contract of a building constructed without construction planning permit or in violation of such permit shall be void. However, if such construction planning permit or a construction approval from competent authorities is obtained before the close of court debate in the first instance, the court shall determine the lease contract as valid.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) (the “**New Lease Measures**”), which became effective on February 1, 2011, and replaced the Administrative Measures for Urban House Leasing (《城市房屋租賃管理辦法》). Pursuant to the New Lease Measures, parties shall register and file with the local property administration authority within thirty days after entering into the lease contract. Non-compliance with such registration and filing requirements shall be subject to fines up to RMB10,000. However, according to the PRC Civil Code, failure to register and file with the authority in accordance with the provisions of laws, administrative rules and regulations would not prejudice the validity of the contract.

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》), adopted by the Standing Committee of the Sixth National People’s Congress on June 25, 1986, and latest amended on August 26, 2019, and the New Lease Measures, the land shall be

REGULATIONS

used strictly in line with the purposes determined in the general land use plan whether by units or individuals, and the usage of land defined in the general use plan shall not be changed without the approval of the authority who approved the plan originally. Where the original use of the real state is changed in violation of the relevant provisions, the local competent construction (real estate) department at municipality, city or county level shall order the violator(s) to rectify within a time limit. The department may also impose a fine of no more than RMB5,000 if there are no illegal gains. If there are illegal gains, the amount of fine imposed by the competent departments shall be more than one time and less than three times the illegal gains, but RMB30,000 at most.

According to the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》) promulgated by the State Council on January 30, 2000, and most recently amended on April 23, 2019, and the Measures for the Administration of Filings for Post-Construction Inspection and Acceptance of Housing Building Projects and Municipal Infrastructure Projects (《房屋建築工程和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the Ministry of Construction (now revoked) on April 7, 2000 and most recently amended by the Ministry of Housing and Urban-Rural Development on October 19, 2009, the construction entity shall organize the entities of design, construction, project supervision, etc. to conduct as-built acceptance check after receiving the project completion report. The construction project could be delivered for use only after it has passed the as-built acceptance. The construction unit shall, within 15 days from the date of passing the acceptance, file with the competent construction department of the local government at or above the county level where the project is located. Those who fail to organize the acceptance or fail to it and deliver the construction for use without authorization shall be ordered to rectify, and the construction entity shall be fined not less than 2% but not more than 4% of the contract price of the project.

According to the Measures of Beijing Municipality for Administering the Safe Use of People's Air-raid Projects and Ordinary Basements (2018 Amendment) (《北京市人民防空工程和普通地下室安全使用管理辦法(2018修改)》) which took effect on February 12, 2018, where any underground space is used for business, culture and entertainment, hotel as well as other production and operation activities, a registration shall be filed at the competent administrative department. Anyone who engages in operation activities leases or uses the underground space without making such a registration shall be ordered to make corrections, and be subject to a fine between RMB10,000 and RMB30,000. According to Procedures of Shanghai Municipality on the Administration of Safe Use of Underground Spaces (《上海市地下空間安全使用管理辦法》) which took effect on March 1, 2010 and the Detailed Implementation Rules for the Administration of Filing of Ordinary Basement Use (《上海市普通地下室使用備案管理實施細則》) which took effect on June 27, 2018, in case civil defense projects and ordinary basements open to the public for production, business and other activities are put into use, the property owner and the property management unit shall report relevant information to the municipal or district/county civil defense office for transacting filing procedures. Those who fail to fulfill the filing procedures shall be warned and ordered to make a correction within a prescribed time limit. Individual shall be subject to a fine between RMB100 and RMB1,000, and entities shall be subject to a fine between RMB500 and RMB5,000.

REGULATIONS

Regulations Relating to Fire Prevention

Fire Prevention Design Procedure

According to the Fire Prevention Law of the PRC (the “**Fire Prevention Law**”) (《中華人民共和國消防法》), promulgated by the SCNPC on April 29, 1998, and latest recently amended on April 29, 2021, the fire prevention design of a construction project must conform to the national fire prevention technical standards. Construction projects are classified into two categories, namely special construction projects and other construction projects, and the former shall comply with more stringent requirements on fire prevention design procedure than the latter.

According to the Interim Provisions on the Administration of Fire Prevention Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) effective on June 1, 2020, for the restaurants, teahouses or coffee houses with more than 500 square meters and with entertainment functions, which belongs to the special construction projects, the construction entity shall apply for fire prevention design approval. With respect to other restaurants, teahouses or coffee houses, when the construction entity applies for a construction permit or an approval of commencement report, it shall provide the fire prevention design drawings and technical materials satisfying the requirement of the construction and such construction project shall be subject to the filing and random inspection system.

Where a construction project that is subject to fire prevention design inspection according to the Fire Prevention Law fails to participate in or pass the review and inspection, the construction project shall be ordered by the competent government authorities to close down and be fined not less than RMB30,000 nor more than RMB300,000. Where fire prevention design drawings or technical materials as needed for construction fail to be submitted by other construction projects, the relevant department shall neither issue a construction permit nor approve the construction commencement report.

Fire Prevention As-built Acceptance Check and Filing

Pursuant to the Fire Prevention Law of the PRC, the competent housing and urban-rural development authority replaced fire and rescue departments to monitor and administer the fire prevention as-built acceptance check and filing. Where the competent department of housing and urban-rural development under the State Council requires an application of the construction projects for acceptance checks for fire prevention, the construction entities shall apply to the competent department of housing and urban-rural development for acceptance checks for fire prevention. With respect to construction projects other than those mentioned above, construction entities shall, after an acceptance check, report their results to the competent department of housing and urban-rural development for record, and such department shall conduct random inspections thereof.

REGULATIONS

According to the Interim Provisions on the Administration of Fire Prevention Design Review and Acceptance of Construction Projects, for the special construction projects, including the hotels, restaurants, shopping malls and markets with a total construction area of more than 10,000 square meters and the restaurants, teahouses or coffee houses with entertainment functions and with a total construction area of more than 500 square meters, the construction entity shall apply for acceptance checks for fire prevention, for other construction projects apart from special construction projects and requiring fire control design in accordance with the national technical standards on fire control for engineering construction, the construction entity shall complete the fire prevention filing.

Where an as-built construction project that is subject to fire prevention final inspection according to the Fire Prevention Law fails to participate in or pass the check and inspection, the construction project shall be ordered by the competent government authorities to close down and be fined not less than RMB30,000 nor more than RMB300,000. The construction project that fails to report to the housing and urban-rural development authority for recordation after final inspection shall be ordered to take corrective action and be imposed a fine of not more than RMB5,000. If the construction project fails to pass the random inspection by the competent government authorities after the fire prevention recordation, the construction entity shall close down the construction project, and where rectification is not made, it shall be ordered by the competent authorities to close down or cease the business operations and be imposed a fine of not less than RMB30,000 nor more than RMB300,000.

Fire Safety Inspection

According to the Opinion on the Deepening the Reform of Fire Control Law Enforcement (《關於深化消防執法改革的意見》) promulgated jointly by the General Office of the CPC Central Committee and the General Office of the State Council on May 30, 2019, public gathering places are permitted to commence the business operation after obtaining business licenses or satisfying the conditions for use, and making their commitment on satisfying the conditions of fire safety standards to the fire-fighting department by submitting the application through governmental service online platform or in person.

Pursuant to the Fire Prevention Law amended on April 29, 2021, public gathering places include but not be limited to hotels, restaurants, shopping malls, markets, waiting rooms of passenger transport stations, waiting rooms of passenger transport docks, terminals of civil airports, gyms, stadiums, auditoriums, and public amusement places. The employer or the entity occupying the facility shall apply to the fire prevention and rescue department of the local people’s government at or above the county level for a fire safety inspection before the use or commencement of the business operations in a public gathering place, make a commitment that the place complies with fire prevention technical standards and management provisions, submit the required materials, and be responsible for the authenticity of its commitment and materials. Any constructions illegally put into use, or public gathering place operated without passing the fire safety inspection or without satisfying the fire safety requirements, shall be ordered to discontinue the construction, use, production or operation and be fined not less than RMB30,000 but not more than RMB300,000 from the competent

REGULATIONS

departments of housing and urban-rural development and the relevant fire rescue agencies according to their respective duties. However, standards issued or adopted by local competent departments on what kind of catering places shall satisfy the requirements said above are not unified at present.

Regulations on Environmental Protection

Environment Protection Law

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

According to the provisions of the Environmental Protection Law, in addition to other applicable laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Construction projects that have environmental impact shall be subject to environmental impact assessment. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal part of the project. Such installations shall not be dismantled or left idle without authorization from the competent government agencies.

The Environmental Protection Law clarifies that the punishments for any violation of said law include but not limited to warning, fine, rectification within a time limit, compulsory ceasing of operations, compulsory reinstallation of installations for the prevention and control of pollution, compulsory shutout or closedown, or even criminal punishment.

Laws on Environment Impact Assessment

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

REGULATIONS

According to Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (《建設項目環境影響評價分類管理名錄》), issued on September 2, 2008, and amended on April 28, 2018, construction projects with regard to the catering industry are classified as to fill in an EIRF. Where the EIRF is failed to be filled out in accordance with the law, the environmental protection administrative department at or above the county level shall order the construction entity to fill out, and impose a fine of not more than RMB50,000. On November 30, 2020, the Ministry of Ecology and Environment of the PRC promulgated the Classified Administration Catalogue of the Environmental Impact Assessment for Construction Projects (2021) (《建設項目環境影響評價分類管理名錄(2021)》), which became effective on January 1, 2021, and repealed the Classified Administration Catalogue issued in 2018. In Accordance with the Classified Administration Catalogue (2021) mentioned above, construction projects with regard to the catering industry are no longer required to submit the EIA documents.

Laws and Regulations on Prevention and Control of Water Pollution

The Law on Prevention and Control of Water Pollution of the PRC (《中華人民共和國水污染防治法》), which was promulgated on May 11, 1984 and most recently amended on June 27, 2017, provides principal provisions of water pollution control and prevention within the territory of the PRC. According to the provisions of the Water Pollution Prevention and Control Law, the Ministry of Environmental Protection and its local counterparts at or above county level shall take charge of the administration and supervision on the matters of prevention and control of water pollution, construct and improve urban drainage networks and sewage disposal facilities.

The Administrative Measures on Licensing of Urban Drainage (《城鎮污水排入排水管網許可管理辦法》), which was promulgated by the Ministry of Housing and Urban-rural Development on January 22, 2015 and came into effect on March 1, 2015, provides that enterprises, institutions and individual industrial and commercial households engaging in industry, construction, catering industry, medical industry and discharging sewage into the urban drainage network must apply for and obtain a license for urban drainage.

The Regulations on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》), which was promulgated by the State Council on October 2, 2013, and came into force on January 1, 2014, requires that urban entities and individuals shall dispose sewage through urban drainage facilities covering their geographical areas in accordance with relevant rules. Companies or other entities engaging in medical activities shall apply for a sewage disposal drainage license before disposing sewage into urban drainage facilities. Sewage-disposing entities and individuals shall pay sewage treatment fees in accordance with relevant rules.

REGULATIONS

Laws and Regulations on Drainage Permits

According to the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》), promulgated by the SCNPC on October 30, 1995, and latest amended on April 29, 2020, all enterprises that may cause environmental pollution during production and business operation shall introduce environmental protection measures in their plants and establish a reliable system for environmental protection.

In accordance with the Classification Management List for Fixed Source Pollution Permits (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》) issued by the Ministry of Ecology and Environment on December 20, 2019, the state implements a focused management and a simplification of emission permits based on the pollutant-discharging enterprises and other manufacturing businesses' amount of pollutants, emissions and the extent of environmental damage. The food manufacturing industry is not required to apply for the drainage permit but shall fill out a pollutant discharge registration form on the national pollutant discharge license management information platform to register its basic information, pollutant discharge information, pollutant discharge standards implemented, and pollution prevention and control measures taken, etc.

Regulations Related to Labor

Labor Law and Labor Contracts Law

Under the PRC Labor Law (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994, took into effect on January 1, 1995, and latest amended on December 29, 2018, the PRC Labor Contract Law (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, took into effect on January 1, 2008, and amended on December 28, 2012, and the Implementing Regulations of the Labor Contract Law (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and took into effect on September 18, 2008, labor relationships between employers and employees must be executed in written forms. These series of laws and regulations set out specific provisions concerning the execution, the terms and the termination of a labor contract, and the rights and obligations of the employees and employers, respectively. Wages may not be lower than the local minimum wage level. Employers must establish a system for labor safety and sanitation, strictly abide by state standards and provide relevant education to their employees. Employees are also required to work in safe and sanitary conditions. At the time of hiring, the employers shall truthfully inform the employees of the scope of work, working conditions, working place, occupational hazards, work safety, salary, and other matters which the employees request to be informed about.

REGULATIONS

Social Insurance and Housing Funds

Employers in the PRC are required to contribute, for and on behalf of their employees, to a series of social insurance funds, including funds for pension, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance, and housing fund. These payments are made to local administrative authorities and employers who fail to contribute may be fined and be ordered to make up for the outstanding contributions. The various laws and regulations that govern the employers’ obligations to contribute to the social insurance funds include the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010, and amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was promulgated by the State Council on January 22, 1999, and amended on March 24, 2019, the Regulations on Work-related Injury Insurance (《工傷保險條例》), which was promulgated by the State Council on April 27, 2003, and amended on December 20, 2010, and the Regulations on Management of the Housing Fund (《住房公積金管理條例》), which was promulgated and became effective on April 3, 1999, and was amended on March 24, 2002, and on March 24, 2019.

According to the Notice Concerning the Safe and Orderly Collection and Administration of Social Insurance Premiums (《關於穩妥有序做好社會保險費徵管有關工作的通知》) issued by the General Office of the State Administration of Taxation on September 13, 2018, the tax authorities will collect all social insurance premiums uniformly from January 1, 2019. Before the completion of the reform of the social insurance collection agency, the relevant local authorities shall continuously optimize the payment service and ensure the continuous improvement of the business environment, and shall not organize and carry out the previous year’s arrears check without permission.

New Employment Patterns

In response to labor issues associated with the newly emerged platform economy, the MOHRSS, the NDRC, the CAC and five other ministries jointly promulgated the Guiding Opinions on New Employment Patterns which impose certain regulatory requirements on platform enterprises to safeguard the legal rights and interest of workers. The focus of the Guiding Opinions on New Employment Patterns are major platform industries, including travel, food delivery, instant delivery and intra-city freight, among others. Based on the principles set out in the Guiding Opinions on New Employment Patterns, the SAMR, the NDRC, the CAC and four other ministries jointly issued the Guiding Opinions for Online Catering Platforms, which specifies that certain employer obligations should be borne by online catering platforms in order to protect the legal rights and interests of delivery riders.

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” on the following bases:

REGULATIONS

- (i) Although the definition of “online catering platform” is not clear under the Guiding Opinions for Online Catering Platforms, the terms “platform” or “platform economy” have been described with particularity in other rules or guidelines issued by the competent ministries. For example, on December 24, 2021, the NDRC, the SAMR, the MOHRSS, the CAC and the MIIT jointly promulgated the Opinions on Promoting the Healthy and Sustainable Development of Platform Economy (關於推動平台經濟規範健康持續發展的若干意見), which clearly defined that the “platform economy is a new economic form with Internet platforms as the main carrier, data as the key production factor, a new generation of information technology as the core driving force, and network information infrastructure as important support”. Pursuant to this definition, an “online catering platform” refers to an Internet-based company whose main business is to provide an online platform for take-away orders, whereas a restaurant offering delivery orders for its own products will not be regarded as an “online catering platform”. Based on our understanding of the catering industry in the PRC, typical “online catering platforms”, such as Meituan and Ele.me, (i) carry out their principal business activities through internet platforms, and (ii) have developed internet platforms that connect individuals (who may elect to register as either consumers or delivery riders) with a wide range restaurants to enable the delivery of food and beverages by delivery riders, from restaurants, to consumers. Such a business model differs substantially from ours, which is singularly focused on serving food from our own stores through a dedicated rider fleet. It is therefore unlikely that we would be deemed to be an “online catering platform”.
- (ii) As for the “third parties that collaborate with online catering platforms” mentioned in the Guiding Opinions for Online Catering Platforms, the Guiding Opinions on New Employment Patterns explicitly provide that a platform enterprise may collaborate with qualified third-party enterprises to organize labor for fulfilling platform-based work. On this basis, a “third party who collaborates with online catering platforms” refers to third-party enterprises with relevant labor resources licenses who are able to assign their employees to online platforms, but not restaurant operators registered on the online catering platforms. As of the date hereof, our delivery riders consist of our full-time and part-time employees, and certain riders employed by third-party delivery service providers who are assigned to us (the “Outsourced Riders”). We have entered into delivery service contracts with third-party delivery service providers, pursuant to which some Outsourced Riders are assigned to us by third-party delivery service providers to satisfy our delivery demands. However, we have not and do not assign any of our employees to online catering platforms; nor do we have the relevant licenses to do so. Therefore, we are not a “third party who collaborates with online catering platforms” as such term used in the relevant regulatory opinions.

Labor Dispatch

According to the Interim Provisions on Labor Dispatch(《勞務派遣暫行規定》) issued on January 24, 2014, and implemented on March 1, 2014, by the Ministry of Human Resources and Social Security, employers may only use dispatched workers for temporary, ancillary, or substitute positions. The aforementioned temporary positions shall mean positions lasting for no more than six months; ancillary positions shall mean positions of non-major business that serve positions of major business; and substitute positions shall mean positions that can be

REGULATIONS

substituted by other workers for a certain period during which the workers who originally hold such positions are unable to work as a result of full-time study, being on leave or other reasons. According to the Interim Provisions on Labor Dispatch, employers should strictly control the number of dispatched workers, and the number of the dispatched workers shall not exceed 10% of the total amount of their employees. Where rectification is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.

Regulations Relating to Intellectual Property Rights

Patent

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

Copyright

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》) which was latest amended on November 11, 2020, and took effect on June 1, 2021, and related rules and regulations. Under the Copyright Law, the term of protection for copyrighted software is 50 years.

According to the Copyright Law, the right of performance is the right to publicly perform works and to publicly broadcast the performance of works by various means. A right owner may permit others to exercise the rights and may receive remuneration as agreed upon in the contract. The right of performance includes public performances in the form of public broadcasting, recordings or videos, and sound recording products screening with the help of technical equipment, such as playing background music in restaurants, bars, and other places. Where a sound recording is used for public dissemination by wired or wireless means or public broadcasting via audio transmission technical equipment, remuneration shall be paid to the maker of such sound recording.

REGULATIONS

The Implementing Regulations of the PRC Copyright Law (《中華人民共和國著作權法實施條例》) was promulgated in 2002 and amended in 2013. The PRC Copyright Law and its implementing regulations are the principal laws and regulations governing copyright-related matters. Under the amended PRC Copyright Law, products disseminated over the internet and software products, among others, are entitled to copyright protection. Registration of copyright is voluntary, and it is administrated by the China Copyright Protection Center. The State Council and National Copyright Administration (the "NCA"), have promulgated various rules and regulations relating to the protection of software in China, including the Regulations on Protection of Computer Software (《計算機軟件保護條例》) which was promulgated by State Council on January 30, 2013, and became effective since March 1, 2013, and the Measures for Registration of Copyright of Computer Software (《計算機軟件著作權登記辦法》) which was promulgated by NCA on February 20, 2002, and became effective since the same date. According to these rules and regulations, software owners, licensees, and transferees may register their rights in software with the NCA or its local branches and obtain software copyright registration certificates. Although such registration is not mandatory under PRC law, software owners, licensees, and transferees are encouraged to complete the registration process and thus the registered software rights may be entitled to better protections.

Trademark

Registered trademarks are protected under the Trademark Law (《中華人民共和國商標法》) of the PRC promulgated on August 23, 1982, and latest revised on April 23, 2019, and related rules and regulations. Trademarks are registered with the State Intellectual Property Office, formerly the Trademark Office of the SAIC. Where registration is sought for a trademark that is identical or similar to another trademark that has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for 10 years unless otherwise revoked. Furthermore, trademark license agreements must be filed with the Trademark Office for record.

Domain Name

On August 24, 2017, MIIT promulgated Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), repealing the Domain Name Measures (《中國互聯網絡域名管理辦法》) since November 1, 2017. The efforts to undertake internet domain name services as well as the operation, maintenance, supervision, and administration thereof and other relevant activities within the territory of the PRC shall thereafter be made in compliance with Administrative Measures for Internet Domain Names. Under the Measures on Country Top-level Domain Name Dispute Resolution (《國家頂級域名爭議解決辦法》) promulgated by the CNNIC, which became effective on June 18, 2019, domain name dispute can be resolved by a domain name dispute resolution institution recognized by the CNNIC. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

REGULATIONS

Regulations Relating to Foreign Currency Exchange

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

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》). SAFE further promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, as effective on June 9, 2016, which, among other things, amended certain provisions of SAFE Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign investment company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties.

Since 2012, SAFE has promulgated several circulars to substantially amend and simplify the current foreign exchange procedures. According to these circulars, the opening of foreign exchange accounts with various special purposes, the reinvestment with RMB proceeds by foreign investors in the PRC, and remittance of profits and dividends in foreign currency from foreign investment to its foreign shareholders are no longer subject to the approval or verification of SAFE. In addition, domestic companies are allowed to provide cross-border loans not only to their offshore subsidiaries but also to their offshore parents and affiliates. SAFE also promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《國家外匯管理局關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》) in May 2013, as amended in October 2018, which specifies that the administration by SAFE or its local branches over foreign investors' direct investment in the PRC shall be conducted by way of registration, and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or the SAFE Circular 13, which became effective on June 1, 2015. SAFE Circular 13 delegates

REGULATIONS

the power to enforce the foreign exchange registration in connection with inbound and outbound direct investments under relevant SAFE rules from local branches of SAFE to banks, thereby further simplifying the foreign exchange registration procedures for inbound and outbound direct investments. On January 26, 2017, SAFE issued the Circular on Further Advancing Foreign Exchange Administration Reform to Enhance Authenticity and Compliance Reviews (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates several capital control measures concerning the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of the genuine transaction, banks shall checkboard resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall keep the income into the account for previous years' losses before remitting the profits. On October 23, 2019, the Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or the Circular 28, was promulgated and became effective. According to the Circular 28, non-investment foreign-funded enterprises are allowed to lawfully make domestic equity investments using their capital if the domestic investment projects are in compliance with the prevailing special administrative measures for access of foreign investments and the relevant regulations.

Regulations Relating to Foreign Exchange Registration of Overseas Investment by PRC Residents

On July 4, 2014, SAFE promulgated the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“**Circular 37**”) to simplify the approval process, and for the promotion of the cross-border investment. Circular 37 supersedes the Notice on Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under Circular 37, (i) a resident in mainland China must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle, or an Oversea SPV, that is directly established or indirectly controlled by the PRC resident to conduct investment or financing; and (ii) following the initial registration, PRC resident must update his or her SAFE registration when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term, increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions).

REGULATIONS

Under the SAFE Circular Further Simplification and Improvement Foreign Exchange Administration on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which promulgated by SAFE on February 13, 2015, and effective on June 1, 2015, the aforementioned registration shall be directly reviewed and handled by qualified banks, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

Failure to comply with the registration procedures outlined in Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or Affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control the company from time to time are required to register with the SAFE in connection with their investments in the company. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Regulations Relating to Stock Incentive Plans

On February 15, 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the “Stock Option Rules”). According to the Stock Option Rules, individuals participating in any stock incentive plan of any overseas publicly listed company who are Chinese citizens or foreign citizens who reside in mainland China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE or its local branches and complete certain other procedures through a domestic qualified agent, which could be a Chinese subsidiary of such overseas listed company, and complete certain other procedures. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase, and sale of corresponding stocks or interests, and fund transfers. In addition, the agent in mainland China is required to further amend the SAFE registration concerning the stock incentive plan if there is any material change to the stock incentive plan, the mainland Chinese agent or the overseas entrusted institution, or other material changes. The mainland Chinese agents must, on behalf of the mainland Chinese residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the mainland Chinese residents’ exercise of the employee share options. The foreign exchange proceeds received by the mainland Chinese residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas-listed companies must be remitted into the bank accounts in mainland China opened by the mainland Chinese agents before distribution to such mainland Chinese residents. Under the Circular of the State Administration of Taxation on Issues Concerning Individual Income Tax concerning Equity Incentives (《國家稅務總局關於股權激勵有關個人所得稅問題的通知》) promulgated

REGULATIONS

by the SAT and effective from August 24, 2009, listed companies and their domestic organizations shall, according to the individual income tax calculation methods for “wage and salary income” and stock option income, lawfully withhold and pay individual income tax on such income.

Regulations Relating to Dividend Distribution

The principal regulations governing the distribution of dividends of foreign-invested enterprises include the PRC Company Law, the Foreign Investment Law, and the Implementation Rules of the Foreign Investment Law (《中華人民共和國外商投資法實施》) promulgated by the State Council and took into effect on January 1, 2020. Under these laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated after-tax profits, if any, determined following PRC accounting standards and regulations. In addition, foreign-invested enterprises in China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year. Wholly foreign-owned companies may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

Regulations Relating to Tax

Enterprise Income Tax

Under the People’s Republic of China Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) promulgated by NPC on March 16, 2007, which took into effect on January 1, 2008, and latest amended on December 28, 2018, and its implementing rules, enterprises are classified into resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%.

The Notice Regarding the Determination of Chinese-controlled Offshore Incorporated Enterprises as People’s Republic of China Tax Resident Enterprises based on De Facto Management Bodies (《關於境外注冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) promulgated by the State Administration of Taxation on April 22, 2009, and amended on December 29, 2017, sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of mainland China and controlled by mainland Chinese enterprises or mainland Chinese enterprise groups is located within mainland China.

REGULATIONS

On July 27, 2011, SAT issued a trial version of the Administrative Measures for Enterprise Income Tax of Chinese-controlled Offshore Incorporated Resident Enterprises (for Trial Implementation) (《境外註冊中資控股居民企業所得稅管理辦法》(試行)), which came into effect on September 1, 2011, and latest amended on June 15, 2018, to clarify certain issues in the areas of resident status determination, post-determination administration, and competent tax authorities' procedures.

The PRC Enterprise Income Tax Law and its implementing rules provide that dividends paid by a PRC entity to a non-resident enterprise for income tax purposes are subject to PRC withholding tax at a rate of 10%, subject to reduction by an applicable tax treaty with China. According to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise.

Under the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), or the SAT Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior receiving the dividends. In October 2019, the State Administration of Taxation promulgated the Administrative Measures for Nonresident Taxpayers to Enjoy Treatment under Tax Treaties, or the SAT Circular 35, which became effective on January 1, 2020. SAT Circular 35 provides that non-resident enterprises are not required to obtain preapproval from the relevant tax authority to enjoy the reduced withholding tax. Instead, nonresident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. Accordingly, we may be able to benefit from the 5% withholding tax rate for the dividends received from PRC subsidiaries if it satisfies the conditions prescribed under SAT Circular 81 and other relevant tax rules and regulations. However, according to SAT Circular 81 and SAT Circular 35, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

REGULATIONS

The SAT promulgated the Announcement of the SAT on Issues Regarding Beneficial Owner under Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) on February 3, 2018, which addresses the methods to determine the “beneficial owners” under the double taxation avoidance arrangement between China and Hong Kong on dividends, interest and royalties.

Value-added Tax and Business Tax

According to the Provisional Regulations on Value-added Tax (《增值稅暫行條例》) promulgated by the State Council on December 13, 1993, and amended on November 1, 2008, January 8, 2011, February 6, 2016, and November 19, 2017, and the Implementing Rules of the Provisional Regulations on Value-added Tax (《增值稅暫行條例實施細則》) promulgated by the Ministry of Finance on December 25, 1993, and amended on December 15, 2008, and October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax.

Under the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》), which took into effect on January 1, 1994, and were subsequently amended on November 10, 2008, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC shall pay business tax. The scope of services which constitute taxable services and the rates of business tax is prescribed in the List of Items and Rates of Business Tax (《營業稅稅目稅率表》) attached to the regulation.

Since January 1, 2012, the Ministry of Finance and the SAT have implemented the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》), which imposes VAT instead of business tax for certain “modern service industries” in certain regions and eventually expanded to nation-wide application in 2013. According to the implementation circulars released by the Ministry of Finance and the SAT on the VAT Pilot Program, the “modern service industries” include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) promulgated by the Ministry of Finance and SAT and took into effect on May 1, 2016, and was latest amended on March 20, 2019, provides that the pilot program of replacing business tax with value-added tax shall be implemented nationwide. Entities and individuals engaging in the sale of services, intangible assets, or fixed assets, all business taxpayers in the construction industry, real estate industry, finance industry, consumer service industry, etc. within the territory of the PRC shall be included in the scope of the pilot program and pay a value-added tax instead of the business tax. The business tax was then officially replaced by the value-added tax.

REGULATIONS

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

Regulations Relating to Cybersecurity and Data Protection

On June 10, 2021, the Standing Committee of NPC promulgated the Data Security Law (《數據安全法》) of the PRC, which came into effect on September 1, 2021. The Data Security Law sets forth the regulatory framework and the responsibilities of the relevant governmental authorities in regulating data security. It provides that the central government shall establish a central data security work liaison system, which shall coordinate the relevant authorities covering different industries to formulate the catalogs of important data, and the special measures that shall be taken to protect the security of the important data. In addition, the Data Security Law provides that whoever carries out data processing activities shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security, in accordance with the provisions of laws and regulations. To carry out data processing activities by making use of the Internet or any other information network, the aforesaid obligations for data security protection shall be performed on the basis of the graded protection system for cybersecurity. Processors of important data shall specify the person(s) responsible for data security and the management body, and implement the responsibility of data security protection.

On November 7, 2016, the Standing Committee of NPC promulgated the Cybersecurity Law (《中華人民共和國網絡安全法》) of the PRC, which became effective on June 1, 2017, under which, network operators shall fulfill their obligations to safeguard the security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures under laws, regulations, and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality, and usability of network data. The network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements concluded with its users. The purchase of network products and services that may affect national security shall be subject to national cybersecurity review which prohibits individuals or entities from obtaining personal information through stealing or other illegal ways, selling, or otherwise illegally disclosing personal information.

REGULATIONS

The PRC Cybersecurity Law requires network operators, including internet information services providers among others, to adopt technical measures and other necessary measures following applicable laws, regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality, and availability of network data. Any violation of the provisions and requirements under the PRC Cybersecurity Law may subject internet service providers to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites, or even criminal liabilities.

The Cybersecurity Review Measures (《網絡安全審查辦法》) was promulgated by Cyberspace Administration of China, State Development and Reform Commission, Ministry of Industry and Information Technology, Ministry of Public Security, Ministry of State Security, Ministry of Finance, Ministry of Commerce, People’s Bank of China, SAMR, National Radio and Television Administration, CSRC, National Administration of State Secrets Protection and State Cryptography Administration in December 2021 and came into effect in February 2022. According to the Cybersecurity Review Measures, which superseded and replaced the current Cybersecurity Review Measures previously promulgated on April 13, 2020:

- (i) the purchase of network products and services by a “critical information infrastructure operator” and the data processing activities of a “network platform operator” that affect or may affect national security shall be subject to the cybersecurity review;
- (ii) if a network platform operator who possesses personal information of more than one million users intends to go public in a foreign country, it must apply for a cybersecurity review with the Cybersecurity Review Office; and
- (iii) the relevant PRC governmental authorities may initiate cybersecurity review if they determine certain network products, services, or data processing activities affect or may affect national security.

Furthermore, on October 29, 2021, the CAC published the Measures on Security Assessment of Cross-border Transfer of Data (Draft for Comments) (《數據出境安全評估辦法(徵求意見稿)》), or the draft security assessment measures, which provide that data processors shall make self-assessment of the risks before transferring data cross-border, and shall apply for security assessment for cross-border transfer of data in any of the following circumstances:

- (i) transferring the personal information and important data collected and produced by CIIO operators;
- (ii) important data is included in the data transferred cross-border;
- (iii) transferring personal information cross-border by personal information processors which process more than one million individuals’ personal information;

REGULATIONS

- (iv) transferring more than one hundred thousand individuals’ personal information or more than ten thousand individuals’ sensitive personal information cumulatively; or
- (v) other circumstances which require the application for cross-border data transfer security assessment as determined by the CAC.

On November 14, 2021, the CAC published the Regulations for the Administration of Cyber Data Security (Draft for Comment) (《網絡數據安全管理條例(徵求意見稿)》), or the draft data security regulations, for public comment by December 13, 2021. The draft data security regulations reiterate that a data processor who processes personal information of more than one million individuals must complete the cybersecurity review if it intends to be listed in a foreign country, and further stipulate that a data processor shall also apply for the cybersecurity review if it carries out data processing activities that affect or may affect national security. The draft data security regulations provide a broad definition of “data processing activities”, including collection, storage, usage, processing, transfer, provision, publication, deletion, and other activities, which covers the entire life cycle of data processing. The draft data security regulations also provide a broad definition of “data processors” as individuals and entities that may autonomously determine the purpose and method of data processing activities. In addition, the draft data security regulations require data processors which process important data or whose securities are listed outside of China to carry out data security assessment annually either by themselves or through a third-party data security service provider and submit the assessment report to a local agency of the CAC. The draft data security regulations remain silent on what constitutes a situation that “affects or may affect national security” and are subject to public comments and further changes before being formally adopted and entering into effect.

According to the CAC’s statement in a press conference on January 4, 2022 about the promulgation of the Cybersecurity Review Measures, which statement has been published on the official website of the CAC, the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the “CCRTCC”) has been duly delegated by the CAC to accept applications for cybersecurity review and review applications materials. In March 2022, our PRC Legal Advisor and the Sole Sponsor’s PRC Legal Advisor conducted a telephone consultation with the CCRTCC (the “CCRTCC Consultations”), pursuant to which the attendant officer of the CCRTCC confirmed that (i) our proposed [REDACTED] in Hong Kong does not fall under the scope of “listing in a foreign country” as prescribed in the Article 7 of the Cybersecurity Review Measures, and thus we do not need to voluntarily initiate application for cybersecurity review for our proposed [REDACTED] in Hong Kong; (ii) the competent regulatory authorities would notify the Company if the Company was deemed to be associated with any national security risks; similarly, if the Company had not been notified to that effect, the Company would not be required to self-assess its national security risks; (iii) apart from the cybersecurity review application and self-assessment of national security risks as mentioned above, our PRC subsidiaries are also not subject to other notification, reporting or filing obligations to the CAC for our proposed [REDACTED]. In addition, as the Draft Data Security Regulations have not come into effect, the Company is not required to self-assess its national security risks according to such draft.

REGULATIONS

Our PRC Legal Advisor is of the view that, the CCRTCC officers who attended the CCRTCC Consultations are the competent authority to give the assurances above, on the basis that: (i) the CCRTCC is duly authorized by the CAC to respond to inquiries in relation to Cybersecurity Review Measures and the acceptance of cybersecurity review applications; (ii) the CCRTCC Consultations were made through the official consultation hotline as published by the CAC.

On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) (the “Measures”) which came into effect on September 1, 2022. According to the Measures, a data processor shall declare security assessment for its outbound data transfer to the CAC through the local cyberspace administration at the provincial level to provide data abroad under any of the following circumstances: (i) where a data processor provides important data outside the territory of the PRC; (ii) where a critical information infrastructure operator or a data processor processing the personal information of more than one million individuals provides personal information outside the territory of the PRC; (iii) where a data processor has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals in total outside the territory of the PRC since January 1 of the previous year; and (iv) other circumstances prescribed by the CAC for which declaration for security assessment for cross-border data transfers is required.

Regulations Relating to Internet Security

Internet content in China is regulated and restricted from a state security standpoint. The Standing Committee of the National People’s Congress enacted the Decisions on the Maintenance of Internet Security (《關於維護互聯網安全的決定》) on December 28, 2000, which was amended on August 27, 2009, that may subject persons to criminal liabilities in China for any attempt to:

- (i) gain improper entry to a computer or system of strategic importance;
- (ii) disseminate politically disruptive information;
- (iii) leak state secrets;
- (iv) spread false commercial information; or
- (v) infringe upon intellectual property rights.

On December 16, 1997, the Ministry of Public Security issued the Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), which took effect on December 30, 1997, and were amended by the State Council on January 8, 2011, and prohibit using the internet in ways which, among others, resulting in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and

REGULATIONS

inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an ICP License holder violates these measures, the PRC government may revoke its ICP License and shut down its websites.

On December 13, 2005, the Ministry of Public Security issued the Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》) (the “Internet Protection Measures”) which took effect on March 1, 2006. The Internet Protection Measures require internet service providers to take proper measures including anti-virus, data back-up, and other related measures, and to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content, and time of posts by users) for at least 60 days, discover and detect illegal information, stop transmission of such information and keep relevant records. Internet services providers are prohibited from unauthorized disclosure of users’ information to any third parties unless such disclosure is required by the laws and regulations. They are further required to establish management systems and take technological measures to safeguard the freedom and secrecy of the users’ correspondences.

Personal Information Protection

Under the Civil Code of the PRC, the personal information of an individual shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or publish personal information of others. In addition, the processing of personal information shall follow the principles of lawfulness, legitimacy and necessity. The personal information of a natural person shall be protected.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law (《中華人民共和國個人信息保護法》), which came into effect on November 1, 2021. The Personal Information Protection Law lays down the principles for personal information protection, including without limitation, stipulating an expanded definition of personal information, enhancing the notification and consent obligations, setting forth a series of personal information rights and imposing stringent requirements on data processors’ internal personal information governing systems. Moreover, the Personal Information Protection Law significantly increases the punishment for violations of personal information protection and any personal information processor violating the law may be subject to rectification order, suspension or termination of business, confiscation of illegal gains, revocation of license and monetary fines in large amount. Furthermore, MIIT’s Rules on Protection of Personal Information of Telecommunications and Internet Users contains detailed requirements on the use and collection of personal information as well as security measures required to be taken by telecommunications business operators and internet information service providers.

REGULATIONS

The Interpretations of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens’ Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), was promulgated on May 8, 2017, and became effective on June 1, 2017. The Interpretations clarified several concepts regarding the crime of “infringement of citizens’ personal information” stipulated by Article 253A of the Criminal Law of the PRC, including “citizens’ personal information”, “violation of relevant national provisions”, “provision of citizens’ personal information” and “illegally obtaining any citizen’s personal information by other methods”. In addition, the Interpretations specify the standards for determining the “serious circumstances” and “extraordinary serious circumstances” of this crime.

Any internet service provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon orders, shall be subject to criminal penalty for the result of (i) any dissemination of illegal information on a large scale; (ii) any severe effect due to the leakage of the client’s information; (iii) any serious loss of criminal evidence; or (iv) other severe situations. In addition, the Interpretations clarified certain standards for the conviction and sentencing of criminals concerning personal information infringement.

An internet information service provider is also required to properly maintain the users’ personal information, and in case of any leak or likely leak of the users’ personal information, it must take immediate remedial measures and, in severe circumstances, immediately report to the telecommunications authorities. Moreover, according to the PRC Criminal Law (《中華人民共和國刑法》), as latest amended in December 2020, any individual or entity that (i) sells or discloses any citizen’s personal information to others in a way violating the applicable law, or (ii) steals or illegally obtains any citizen’s personal information in a severe situation, shall be subject to criminal penalty.

On December 28, 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》), which took into effect on the same date, to enhance the legal protection of information security and privacy on the internet. On July 16, 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》), which took effect on September 1, 2013, to regulate the collection and use of users’ personal information in the provision of telecommunication services and internet information services in China and the personal information includes a user’s name, birth date, identification card number, address, phone number, account name, password and other information that can be used independently or in combination with other information for identifying a user.

On December 29, 2011, the MIIT promulgated the Several Provisions on Regulation of the Order of Internet Information Service Market (《規範互聯網信息服務市場秩序若干規定》), which took into effect on March 15, 2012. The Provisions stipulate that without the consent of users, internet information service providers shall not collect information relevant to the users that can lead to the recognition of the identity of the users independently or in

REGULATIONS

combination with other information (hereinafter referred to as “personal information of users”), nor shall they provide personal information of users to others, unless otherwise provided by laws and administrative regulations.

Regulations Relating to Mobile Internet Applications Information Services

In addition to the Telecommunications Regulations and other regulations above, mobile internet applications and the internet application store are specifically regulated by the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》) (the “**Mobile Application Administrative Provisions**”), which were promulgated by the Cyberspace Administration of China (the “CAC”) on June 28, 2016, and took effect on August 1, 2016. Under the Mobile Application Administrative Provisions, application information service providers shall obtain the relevant qualifications prescribed by laws and regulations, strictly implement their information security management responsibilities and carry out certain duties, including establishing and completing user information security protection mechanism and information content inspection and management mechanisms, protect users’ right to know and right to choose in the process of the usage and to record users’ daily information and preserve it for 60 days. Application store services providers shall, within 30 days of the business going online and starting operations, conduct filing procedures with the local cybersecurity and information department. Furthermore, internet application store service providers and internet application information service providers shall sign service agreements to determine both sides’ rights and obligations.

Furthermore, on December 16, 2016, the MIIT promulgated the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals (《移動智能終端應用軟件預置和分發管理暫行規定》) (the “**Mobile Application Interim Measures**”), which took effect on July 1, 2017. The Mobile Application Interim Measures requires, among others, that internet information service providers must ensure that a mobile application, as well as its ancillary resource files, configuration files, and user data, can be uninstalled by a user on a convenient basis unless it is a basic function software, which refers to software that supports the normal functioning of hardware and operating system of a mobile smart device.

Potential CSRC Report and Filing Required for This [REDACTED]

On July 6, 2021, the General Office of the CPC Central Committee (“**Central Committee**”) and the General Office of the State Council jointly published the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions indicate that the PRC government will take measures to strengthen regulation over illegal securities activities and supervision on overseas securities offerings and listings of China-based companies.

REGULATIONS

On December 24, 2021, the CSRC published the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》), and Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), (the “**Draft Overseas Listing Regulations**”) (《境內企業境外發行上市備案管理辦法(徵求意見稿)》), which set out the new regulatory requirements and filing procedures for Chinese companies seeking direct or indirect listing in overseas markets. The Draft Overseas Listing Regulations, among others, stipulate that Chinese companies that seek to offer and list securities in overseas markets shall fulfill the filing procedures with and report relevant information to the CSRC, and that an initial filing shall be submitted within three (3) working days after the application for an initial public offering is submitted. Moreover, an overseas offering and listing is prohibited under circumstances if (i) it is prohibited by PRC laws, (ii) it may constitute a threat to or endanger national security as reviewed and determined by competent PRC authorities, (iii) it has material ownership disputes over equity, major assets, and core technology, (iv) in recent three years, the Chinese operating entities and their controlling shareholders and actual controllers have committed relevant prescribed criminal offenses or are currently under investigations for suspicion of criminal offenses or major violations, (v) the directors, supervisors, or senior executives have been subject to administrative punishment for severe violations, or are currently under investigations for suspicion of criminal offenses or major violations, or (vi) it has other circumstances as prescribed by the State Council.

The Draft Overseas Listing Regulations, among others, stipulate that when determining whether an offering and listing shall be deemed as “an indirect overseas offering and listing by a Chinese company”, the principle of “substance over form” shall be followed, and if the issuer meets the following conditions, its offering and listing shall be determined as an “indirect overseas offering and listing by a Chinese company” and is therefore subject to the filing requirement: (1) the revenues, profits, total assets or net assets of the Chinese operating entities in the most recent financial year accounts for more than 50% of the corresponding data in the issuer’s audited consolidated financial statements for the same period; (2) the majority of senior management in charge of business operation are Chinese citizens or have domicile in PRC, and its principal place of business is located in PRC or main business activities are conducted in PRC.

As advised by our PRC legal counsel, the Draft Overseas Listing Regulations were released only for public comment at this stage and their provisions and anticipated adoption or effective date remain subject to change. There is therefore substantial uncertainty as to what the content of the final version and interpretation thereof will be. In their current form, the Draft Overseas Listing Regulations are not clear on the exact criteria of qualified issuers who must complete the CSRC filing procedures after submitting the application for an initial public offering overseas, and are not clear on whether qualified issuers which have submitted the application for initial public offering overseas but have not yet completed the whole listing process shall be subject to the said CSRC filing procedures. Although we cannot definitively predict the impact that the Draft Overseas Listing Regulations will have on this [REDACTED], assuming that the Draft Overseas Listing Regulations came into effect in its

REGULATIONS

current form, as advised by our PRC Legal Advisor based on its understanding of legislative developments and the measures we have taken thus far, we may be required to complete the filing procedures with the CSRC for our proposed [REDACTED]. However, there is no foreseeable material impediment for the Company to complete such filing procedures because (i) as advised by our PRC Legal Advisor, we do not fall under any of the circumstances specified in the Draft Overseas Listing Regulations under which overseas issuance and listing are prohibited; (ii) we have taken comprehensive measures to ensure our compliance with the relevant laws and regulations and will continue to pay close attention to the legislative and regulatory developments in respect of overseas listing of domestic enterprises, comply with the specific regulatory requirements and perform the filing procedures or information reporting procedures in accordance with the requirements of the Draft Overseas Listing Regulations where applicable to our Company, with the assistance of our Company’s onshore and offshore counsel teams; and (iii) we have begun to prepare the relevant documents for the filing procedures in accordance with the Draft Overseas Listing Regulations in its current requested form, and we do not foresee any substantial obstacles in connection therewith.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the [REDACTED], Mr. James Leslie Marshall, our non-executive Director and deputy chairman, will be interested in and control [REDACTED]% of our issued Shares in aggregate. Mr. Marshall holds his interest in the Company through Good Taste Limited, a limited liability company incorporated in Bermuda and wholly-owned by Ocean Investments Limited, a limited liability company incorporated in Bermuda the entire interest of which is in turn wholly-owned and managed by a corporate trustee for the benefit of a discretionary family trust in which, Mr. Marshall is the protector, a named person in its discretionary class of beneficiaries and one of the directors of the trustee. As the Trustee is required, under the provisions of the trust deed concerning the Trust, to comply with the written directions of Mr. Marshall (in his capacity as protector of the Trust), or to obtain his prior or contemporaneous written consent (also in his capacity as protector of the Trust), in connection with any exercise of voting or other rights in Ocean Investments Limited, the parent company of Good Taste Limited, Mr. Marshall is taken to exercise or control the exercise of the Shares held by Good Taste Limited. For the purposes of the Listing Rules, Mr. Marshall, Ocean Investments Limited and Good Taste Limited will therefore be the Controlling Shareholders of our Company after the [REDACTED].

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the [REDACTED].

Management independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board will consist of one executive Director, five non-executive Directors and three independent non-executive Directors. For more information, please see “Directors and senior management”.

Our Directors consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (a) each Director is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see “– Corporate governance measures” for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform their respective managerial roles and run the business of our Group independently from our Controlling Shareholders.

Operational independence

Our Group is not operationally dependent on the Controlling Shareholders. Our Group (through our subsidiaries) holds all material licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business.

Based on the above, our Directors believe that our business is operationally independent of our Controlling Shareholder.

Financial independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates will be outstanding as of the [REDACTED].

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance, on our Controlling Shareholders and their respective close associates after the [REDACTED].

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following corporate governance measures to resolve actual or potential conflict of interests between our Group and our Controlling Shareholders:

- (a) under the Articles, where a Shareholders' meeting is held to consider proposed transactions in which our Controlling Shareholders or any of their associates has a material interest, our Controlling Shareholder(s) will not vote on the relevant resolutions;
- (b) our Company has established internal control mechanisms to identify connected transactions, and we will comply with the applicable Listing Rules if we enter into connected transactions with our Controlling Shareholders or any of their associates after [REDACTED];
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all information necessary or requested by the independent non-executive Directors for their annual review, including all relevant financial, operational and market information;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses;
- (g) we have appointed Somerley Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (h) we have established our audit and risk committee, remuneration committee, nomination committee and finance committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules. All of the members of our audit and risk committee are non-executive directors, and the majority of the members, including the chairman, are independent non-executive Directors.

Based on the above, our Directors believe that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders’ interests after the [REDACTED].

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following transaction that we entered into with our connected persons will constitute connected transaction upon the [REDACTED].

OUR CONNECTED PERSONS

The table below sets forth parties who will become our connected persons upon [REDACTED] and the nature of their relationship with our Company. We have entered into certain transaction which will constitute our continuing connected transaction following the [REDACTED] with the following connected persons:

Name	Connected relationship
Domino’s Pizza, Inc.	Domino’s Pizza, Inc. (NYSE: DPZ) is a substantial shareholder of our Company
Associates of Domino’s Pizza, Inc.	Including but not limited to Domino’s Pizza International Franchising Inc. (“ DPIF ”) and Domino’s Pizza Distribution LLC (“ DPD ”), which are subsidiaries of Domino’s Pizza LLC.

MASTER FRANCHISE ARRANGEMENTS

Master Franchise Agreement

On June 1, 2017, DPIF (the “**Franchisor**”) and Pizzavest China Ltd. (the “**Master Franchisee**”), an indirect wholly-owned subsidiary of our Company, entered into a master franchise agreement pursuant to which the Franchisor granted to the Master Franchisee the exclusive right to develop and operate and to sub-franchise the right to develop and operate Domino’s Pizza stores (the “**Stores**”, and each a “**Store**”) and a license to use and sub-license the use of the Domino’s system and the associated trademarks in the operation of the Stores in the PRC (the “**Franchise**”). In return, the Master Franchisee shall pay to the Franchisor (a) a master franchise fee, (b) store franchise fees, and (c) royalty fees, in accordance with the terms of the Master Franchise Agreement.

The term of the Master Franchise Agreement commenced on June 1, 2017 and will expire on June 1, 2027, which may be renewed at our option for two additional 10-year terms, subject to the fulfillment of certain conditions.

CONNECTED TRANSACTIONS

Master Franchise Software License Agreement

Under the terms of the Master Franchise Agreement, the Master Franchisee agrees to use, and to ensure its sub-franchisees use, in the development and operation of the Stores, the management system and computer hardware and software and related technology designated by Franchisor, including that the Franchisor may require the Master Franchisee and its sub-franchisees to acquire, install and continuously use the Domino’s Pulse store computer system and to obtain a license to use the software from the Franchisor or its affiliate by signing the standard license agreement. Pursuant to the foregoing, on July 24, 2018, DPD and the Master Franchisee, an indirect wholly-owned subsidiary of our Company, entered into a master franchise software license agreement (the “**Master Franchise Software License Agreement**” together with the Master Franchise Agreement, the “**Master Franchise Arrangements**”). The Company considers the licensing of Domino’s Pulse is an integral component of its overall master franchising arrangements with Domino’s International, a subsidiary of Domino’s Pizza, Inc..

Pursuant to the Master Franchise Software License Agreement, DPD granted to the Master Franchisee a limited, non-exclusive, right to obtain agreements for licensing Domino’s Pulse, which is DPD’s proprietary point-of-sale system, together with any future developments, enhancements, modifications, new releases and addition, operating manual(s) and guide(s), and any customization thereof, to the Master Franchisee’s sub-franchisees for their internal business purposes within the PRC. In return, the Master Franchisee shall pay to DPD software license fees and annual enhancement fees, in accordance with the terms of the Master Franchise Software License Agreement.

The term of the Master Franchise Software License Agreement commenced on July 24, 2018 and will terminate upon the termination of the Master Franchise Agreement or pursuant to other applicable provisions in the Master Franchise Software License Agreement.

Pricing terms

Pursuant to the Master Franchise Agreement, the Master Franchisee shall pay to the Franchisor the following fees:

- (a) a lump sum master franchise fee, which had been paid in full as of December 31, 2021. The Franchisor shall charge no additional master franchise fee is for the remaining term of the Master Franchise Agreement and the two additional 10-year renewal periods.
- (b) store franchise fee, which is a one-off fixed fee for the opening of each new Store in the PRC by the Master Franchisee or its sub-franchisees (the “**Store Franchise Fee**”). If the Master Franchisee charges a sub-franchisee a store opening fee in excess of an agreed maximum threshold (the “**Excess Store Franchise Fee**”), the Master Franchisee and the Franchisor shall each be entitled to half of the Excess Store Franchise Fee.

CONNECTED TRANSACTIONS

- (c) royalty fees, which is a continuing monthly royalty calculated as a fixed low single digit percentage (the "**Royalty Rate**") of all sales by all Stores in the PRC opened and operated by the Master Franchisee or its sub-franchisees for that month. If the Master Franchisee charges a sub-franchisee royalty fees at a royalty rate in excess of an agreed maximum rate (the "**Excess Royalty**"), the Master Franchisee and the Franchisor shall each be entitled to half of the Excess Royalty.

Pursuant to the Master Franchise Software License Agreement, the Master Franchisee shall pay to DPD the following fees:

- (a) software license fees, which is a one-off fixed fee for each Store in the PRC in which the software is installed (the "**Software License Fees**"). The fee rate is subject to change on the delivery by DPD to the Master Franchisee a fee change notification.
- (b) annual enhancement fees, which is a fixed fee collected from each Store in the PRC, in which the software is installed, 12 months after the installation of the software and each subsequent annual anniversary of the date of installation (the "**Annual Enhancement Fees**"). Stores operating a version of the software equal to (i) two versions or (ii) three or more versions prior to the then current version are subject to an additional fee equal to fifty percent or one hundred percent of the then current annual enhancement fee, respectively.

The fees chargeable under the Master Franchise Arrangements were agreed between the Franchisor (and its affiliates) and Master Franchisee after arm's length negotiation based on a range of factors, including but not limited to the commercial prospects of operating a Store under the brand of Domino's Pizza, our plan to open new Stores in more cities in the PRC and the terms of master franchise arrangements has with its other international master franchisees, and with reference to prevailing market practice for comparable transactions. We believe that the fees chargeable under the Master Franchise Arrangements are fair and reasonable, in line with or more favourable than the fees charged under comparable franchising arrangements between independent third parties and in the interests of our Company and our Shareholders as a whole.

Annual caps

Following the [REDACTED], the fees payable by us to the Franchisor under the Master Franchise Agreement each year shall consist of the following, which reflects the terms of the Master Franchise Agreement: (a) the aggregate Store Franchise Fees for the new Stores opened in the PRC by the Master Franchisee or its sub-franchisees in that year; (b) the aggregate royalty fees calculated as the product of the Royalty Rate and the sales by all Stores in the PRC opened and operated by the Master Franchisee or its sub-franchisees in that year; (c) if the Master Franchisee charges a sub-franchisee any Excess Store Franchise Fee, half of such Excess Store Franchise Fee; and (d) if the Master Franchisee charges a sub-franchisee any Excess Royalty, half of such Excess Royalty.

CONNECTED TRANSACTIONS

Following the [REDACTED], the fees payable by us to DPD under the Master Franchise Software License Agreement each year shall consist of the following, which reflects the terms of the Master Franchise Software License Agreement: (a) the aggregate Software License Fees for the Stores opened and which installed the software in that year; and the (b) the aggregate Annual Enhancement Fees for all the Stores operating the software in that year.

For the avoidance of doubt, we did not have any sub-franchisee during the Track Record Period and, as of the date of this document, do not have plans to engage any sub-franchisee.

Historical amounts

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the aggregate amounts of fees paid by our Group to Domino’s Pizza, Inc.’s group under the Master Franchise Arrangements were approximately RMB39.5 million, RMB50.7 million, RMB114.6 million and RMB29.2 million, respectively. The amounts consist of (a) instalments of master franchise fees of US\$2 million, US\$2 million, US\$10 million and nil paid under the Master Franchise Agreement for the same periods, for which no further amount is payable going forward; (b) store franchise and royalty fees paid under the Master Franchise Agreement of approximately RMB23.7 million, RMB34.4 million, RMB46.8 million and RMB26.4 million for the same periods; and (c) for the same periods, and license and annual enhancement fees paid under the Master Franchise Software License Agreement of approximately RMB2.0 million, RMB2.8 million, RMB3.3 million and RMB2.8 million for the same periods.

Reasons for the transaction

The Master Franchising Arrangements are expected to be mutually beneficial as it allows the Domino’s Pizza brand to enter and expand in the PRC market, leveraging our management expertise and local know-how, and our Group to gain access to customers through a globally well-known brand and well-established business operations system.

Listing Rules implications

Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be 0.1% or more but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the transactions contemplated under the Master Franchise Arrangements will be exempt from the circular (including the opinion and recommendation from an independent financial advisor) and the independent shareholders’ approval requirements, but are subject to the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49, 14A.71 and 14A.72 of the Listing Rules.

CONNECTED TRANSACTIONS

WAIVERS

In respect of the Master Franchise Arrangements, we have applied for, and the Stock Exchange [has granted] us, waivers from strict compliance with (i) the requirement to set annual caps under Rule 14A.53 of the Listing Rules during the term of the Master Franchise Arrangements, (ii) the requirement to limit the term to three years or less under Rule 14A.52 of the Listing Rules, and (iii) the announcement requirements pursuant to Rule 14A.105 of the Listing Rules.

Basis for not setting monetary annual caps

It would be unsuitable to adopt monetary annual caps for the transactions contemplated in the Master Franchise Arrangements for the following reasons:

- The vast majority of the fees paid and to be paid by our Group to the Franchisor under the Master Franchise Agreement is represented by a percentage of the sales by all Stores in the PRC opened and operated by us or our sub-franchisees. Similarly, the fees paid and to be paid by our Group to the Franchisor under the Master Franchise Software Licensing Agreement depends on the number of Stores opened and operated by us or our sub-franchisees in the PRC. It would be impractical to set monetary annual caps which will impose an arbitrary ceiling on our future revenue and store expansion, hence effectively limiting the scale of our business to meet market demands, and hinder our Group’s continued growth and expansion;
- The disclosure of any annual caps for the transaction amount under the Master Franchise Arrangements in monetary terms would in effect provide market competitors of our Group with an indication of our Company’s estimated revenue and store expansion plan. The disclosure of such information is highly sensitive; and
- Domino’s Pizza, Inc. is a listed company on the New York Stock Exchange and the fees payable by our Group under the Master Franchise Agreement contributes to its consolidated revenue. Setting monetary annual caps on the transaction amount with Domino’s Pizza, Inc. on a unilateral basis may impact our Group’s business relationship with a key business partner and may lead to adverse impact on our business operations.

Basis for not limiting the term to three years

The Master Franchise Arrangements allows us to open and operate Domino’s Pizza stores in the PRC and gain access to customers through a globally well-known brand and a well-established business management system. It is in the interest of our Company and the Shareholders as a whole for us to sustain a long-term and stable cooperation with the Franchisor. It is also the prevailing market practice for a master franchising arrangement to have a term that is significant longer than three years in the catering service industry in China, according to Frost & Sullivan. As such, setting a three-year limit on the term of the Master

CONNECTED TRANSACTIONS

Franchise Arrangements would be contrary to the business intention of the parties and create uncertainty over the business operations of our Group as well as unnecessary administrative burden for our Group to seek independent Shareholders’ approval every three years.

Conditions of the waivers

The Stock Exchange [has granted] us the waivers from strict compliance with the requirement under Rule 14A.52 and Rule 14A.53 of the Listing Rules in respect of the partially-exempt continuing connected transactions under the Master Franchise Agreement subject to the following conditions:

- our Group will re-comply with the relevant requirements under Chapter 14A of the Listing Rules upon the renewal(s) of the Master Franchise Agreement in and after 2027;
- our Group will comply with the announcement requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the Master Franchise Arrangements; and
- in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of this document on the above continuing connected transactions, our Group will take immediate steps to ensure compliance with such new requirements.

DIRECTORS’ CONFIRMATION

Our Directors (including independent non-executive Directors) are of the view that: (i) the continuing connected transaction set out above have been and will be entered into in our ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interests of our Company and our Shareholders as a whole; and (ii) it is normal business practice for the Master Franchise Arrangements to be of a term greater than three years.

SOLE SPONSOR’S CONFIRMATION

Based on the above, and the documentation and data provided by the Company and the participation in due diligence and discussion with the Company, and on the basis that (i) the businesses carried out by the Company in respect of which the Master Franchise Agreement was entered into, which are, among other things, developing and operating Domino’s Pizza delivery stores in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China, (ii) the nature of the transaction, which is a licensing arrangement to be carried out on a continuing basis to ensure business continuity and (iii) the market practice for similar licensing arrangements of other companies, the Sole Sponsor is of the view that: (i) the continuing connected transaction set out above have been and will be entered into in the Company’s ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interest of the Company and its Shareholders as a whole; and (ii) it is normal business practice for the Master Franchise Arrangements to be of a term greater than three years.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Upon [REDACTED], our Board will consist of nine Directors, including one executive Director, five non-executive Directors and three independent non-executive Directors. The following table sets out certain information in respect of our Directors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment	Roles and responsibilities
Directors					
Yi Wang (王怡) (also known as Aileen Wang)	45	Executive Director and chief executive officer	May 2017	June 2, 2021	Overall strategic planning and business direction
Frank Paul Krasovec	78	Non-executive Director and chairman	April 2008	June 2, 2008	Provide strategic advice to our Board
James Leslie Marshall	55	Non-executive Director and deputy chairman	April 2019	April 18, 2019	Provide strategic advice to our Board
Zohar Ziv ⁽¹⁾	70	Non-executive director	April 2008	November 24, 2008	Provide strategic advice to our Board
Matthew James Ridgwell	57	Non-executive Director	April 2019	April 18, 2019	Provide strategic advice to our Board
Joseph Hugh Jordan	48	Non-executive Director	September 2020	September 1, 2020	Provide strategic advice to our Board
David Brian Barr	59	Independent non-executive director	December 2015	December 2, 2015	Provide independent opinion and judgment to our Board
Samuel Chun Kong Shih	56	Independent non-executive director	July 2018	July 24, 2018	Provide independent opinion and judgment to our Board
Lihong Wang (王勵弘)	54	Independent non-executive director	March 2022	March 18, 2022	Provide independent opinion and judgment to our Board

Note:

(1) Zohar Ziv was formerly known as Zohar Catabi.

DIRECTORS AND SENIOR MANAGEMENT

Executive Director

Yi Wang (王怡), also known as Aileen Wang, aged 45, is an executive Director and the chief executive officer of our Group. Ms. Wang is primarily responsible for our Company’s overall strategic planning and business direction.

Ms. Wang has extensive experience in management in the food and beverage industry. Ms. Wang joined our Group as our chief executive officer in May 2017 and became an executive Director of our Group in May 2021. Prior to joining our Group, she served in several management roles at McDonald’s China for approximately eight years. Her last position at McDonald’s China was Vice President of Franchising responsible for developing the franchising system and overseeing franchisee performance from January 2015 to May 2017. She also served as the Vice President and the General Manager for the Central China Region from November 2012 to December 2014, in which role she managed over 500 stores and was responsible for the full P&L responsibilities, store opening and operations. Between June 2011 and October 2012, she served as the General Manager for the Shanghai market, managing over 100 stores and in charge of the full P&L responsibilities, store opening and operations. Between September 2009 and May 2011, she spent 21 months going through the operations training program in the stores as an externally hired, fast-track leadership program candidate in the Asia Pacific, Middle East and Africa Region of McDonald’s. Before working at McDonald’s China, Ms. Wang served as an associate and engagement manager at McKinsey & Company in Atlanta, Georgia and Stamford, Connecticut in the United States from August 2004 to August 2009, focusing on the retail industry and the functions of strategy and operations. In addition, Ms. Wang is a member of Young President Organization’s Shanghai Chapter.

Ms. Wang received her master’s degree in economics from Vanderbilt University in June 2004 and her bachelor’s degree in world economics from Fudan University (復旦大學) in June 2000.

Non-executive Directors

Frank Paul Krasovec, aged 78, is a non-executive Director of our Group, responsible for managing and communicating the Board’s decisions with our CEO. He is one of our co-founders and has been chairman of our Group since our inception. Mr. Krasovec is a seasoned and successful entrepreneur who has founded highly successful companies in multiple industries, including media/telecommunications, promotional products, energy products and services and real estate development and management. In addition, Mr. Krasovec has helped build and monetize numerous investments in the real estate, venture capital, and food and beverage industries. Mr. Krasovec serves as the CEO of Norwood Investments, which oversees all of Mr. Krasovec’s personal investments, including those in our Group and the major active investments listed above. Other than our Company, Mr. Krasovec co-founded TopGolf China and Southeast Asia, a golfing and entertainment complex that features a high-tech golf in 2016. Mr. Krasovec also co-founded Swiftarc Ventures, an early and growth-stage venture capital firm focused on identifying, curating, and developing the next generation of disruptive consumer brands in the consumer and healthcare sectors in 2018,

DIRECTORS AND SENIOR MANAGEMENT

where he serves as the executive chairman. Mr. Krasovec started his career with PNC before moving to Austin in the mid-70's to partner with successful media/cable TV and venture entrepreneurs. Mr. Krasovec has also been deeply involved in higher education, having chaired and served on the boards and executive committees of Ohio University. Mr. Krasovec currently serves on the boards of Southwestern University and the Austin Theater Alliance. Mr. Krasovec is active in the YPO Gold Chapter in Austin where he was a co-founder. Mr. Krasovec brings a long history of strong corporate values, leadership and governance to our Board.

Mr. Krasovec received his MBA degree from Ohio University in 1966 and his bachelor's degree in business from Ohio University in 1965.

James Leslie Marshall, aged 55, is a non-executive Director and the deputy chairman of our Group.

Mr. Marshall has over 20 years of experience in senior management positions and operations management in the shipping industry. He is the founder and chief executive officer of Berge Bulk Limited, which is one of the world's leading dry bulk shipping companies. Established in October 1990, Berge Bulk Limited controls a fleet of approximately 80 vessels and is one of the world's leading independent dry bulk carriers, delivering commodities across the complex logistical networks that connect over 60 of the largest ports in the world. Since January 2010, Mr. Marshall has served as the chairman of the Marshall Foundation, which supports community and energy efficiency projects, as well as philanthropic ventures in lesser developed communities in Asia and Africa. Mr. Marshall currently holds directorships in several private enterprises, including various operating subsidiaries of Berge Bulk Limited as well as Good Taste Limited, one of the Controlling Shareholders.

In addition, Mr. Marshall is a member of the Asia Shipowners Committee of Lloyd's Register Asia, a provider of classification, compliance and consultancy services to marine industries, and a member of DNV GL South East Asia and Pacific Committee, an international accredited registrar and classification society for industries, including maritime.

Mr. Marshall received his MBA degree from the International Institute for Management Development (IMD) in December 1998 and his master of arts degree from the University of Cambridge in May 1993.

Zohar Ziv, aged 70, is a non-executive Director and co-founder of our Group.

Mr. Ziv is an active director, advisor and investor with over 25 years of extensive executive management experience across various industries. He served as a director of Shoes For Crews, a market leader in safety footwear to foodservice, hospitality, healthcare and industrial employees, from February 2016 to February 2022. Mr. Ziv joined Deckers, the footwear designer and maker parent company of the UGG[®], Teva[®], Sanuk[®], Hoka One One[®], and Ahnu[®] brands, in March 2006 as its chief financial officer and executive vice president of finance and administration, and was promoted to its chief operating officer in December 2007 until his retirement in January 2015. Between February 2004 and December 2005, Mr. Ziv was

DIRECTORS AND SENIOR MANAGEMENT

Chief Financial Officer with EMAK Worldwide, Inc. (Nasdaq: EMAK), a global marketing services firm. In addition, Mr. Ziv received his certificate of certified public accountant awarded by University of Illinois in June 1987.

Mr. Ziv received his MBA degree from American Graduate School of International Management in December 1980 and his bachelor of science degree in accounting from California State University Northridge in August 1979.

Matthew James Ridgwell, aged 57, is a non-executive Director of our Group.

Mr. Ridgwell has over 30 years of experience in senior management positions across a variety of sectors. Since 2013 he has been providing investment advice to various entities, including Good Taste Limited, the Controlling Shareholder.

From 1988 to 1997, he worked for the Swire Group, mostly in shipping, as a general manager in Taiwan, Japan, New Zealand, and Hong Kong. From 1999 to 2010, he was based in Belgium where he co-founded MAC Telecom and Clearwire Belgium, wireless telecommunications companies, which were subsequently sold to entities controlled by Craig McCaw. From 2008 to 2012, he was the co-owner of Trä AB KG List, a manufacturing business in Sweden. Mr. Ridgwell currently holds directorships in several private enterprises. From April 2014 until 2022, he also held a variety of directorships of entities controlled by the Canada Pension Plan Investment Board (CPPIB).

Mr. Ridgwell received his MBA degree (with honors) from the International Institute for Management Development (IMD) in December 1998 and his bachelor of arts degree in oriental studies from the University of Oxford in July 1988.

Joseph Hugh Jordan, aged 48, is a non-executive Director of our Group.

Mr. Jordan has over 15 years of experience in food and beverage industry. He has spent ten years in our franchisor’s parent company, Domino’s Pizza, Inc, a US-listed company (NYSE: DPZ) (“**DPZ**”). He has served as president of DPZ, with responsibility for overseeing its U.S. and global support business, since May 1, 2022. Prior to his current role, he served as executive vice president of DPZ from April 2018 to May 1, 2022, where he oversaw DPZ’s international business, and as senior vice president and chief marketing officer of DPZ from May 2015 to March 2018. At DPZ, Mr. Jordan helped create a revamped market-level approach to advertising and business planning for franchisees and designated market areas. He joined DPZ’s marketing team in September 2011 as vice president of innovation and assumed responsibility for all field marketing activity in 2014. Prior to joining DPZ, Mr. Jordan worked for six years at PepsiCo North America since 2005, where he served as a senior director of marketing. Prior to joining PepsiCo in 2005, he held marketing roles at Philips Electronics and Unilever from 2002 to 2005. Mr. Jordan brings to the Board his rich experience in the marketing, management and strategic planning in the catering and restaurant business, in particular with his significant experience at DPZ both in the US and globally.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Jordan received his MBA degree from New York University in May 2002 and his bachelor’s degree in business administration from College of William and Mary in May 1995.

Independent non-executive Directors

David Brian Barr, aged 59, is an independent non-executive Director of our Group.

Mr. Barr has extensive experience in food and beverage industry. Mr. Barr is a partner and co-founder of Franworth LLC, a company focusing on the development of entrepreneurial led franchisors, since 2015. He also founded PMTD Restaurants LLC, a company that offers retail sale of prepared foods and drinks for off-premise and on-premise consumption in the States of Georgia, Alabama and South Carolina. Mr. Barr has served on the board of several enterprises including Capriotti’s Sandwich Shops, Inc., a fast casual restaurant chain of premium sandwich shops, since 2015, Chicken Salad Chick, a fast casual restaurant chain of chicken salad restaurants based in Atlanta, Georgia, since 2020, OutWest Restaurant Group, a restaurant management company operating Outback Steakhouses in the western United States, since 2020, and Dogtopia, leading provider of dog day-care in North America, since 2021. Previously, Mr. Barr served as a board member of Del Frisco’s Restaurant Group (Nasdaq: DFRG) and Charles & Colvard (Nasdaq: CTHR) from 2008 to 2019 and from 2011 to 2015, respectively.

Mr. Barr received a certificate of certified public accountant awarded by the American Institute of Certified Public Accountants in September 1991. Mr. Barr received his bachelor of science degree in commerce from the University of Virginia in May 1985.

Samuel Chun Kong Shih (施振康), aged 56, is an independent non-executive Director of our Group.

Mr. Shih has extensive experience in the hospitality industry as well as the food and beverage industry. He previously served as the partner and chief operating officer at OYO Hotels from 2019 to 2020. Mr. Shih spent over 20 years in PepsiCo Inc., with his last position at PepsiCo Inc. as the chief operating officer and vice president, responsible for overseeing PepsiCo’s business in Greater China. Between April 2012 and January 2016, he served as the chairman and chief executive officer of PepsiCo (China) Investment Co., Ltd. He also served as the chairman and chief operating officer of Accor Inc.’s Greater China region, a hospitality company that owns, manages and franchises hotels, resorts and vacation properties, between 2011 and 2012. Besides, he has served as an independent non-executive director of DDC Enterprise Limited (Nasdaq: ACBA) since September 2021, and served as a director of Les Enphants China Limited, a retailer of children’s apparel and accessories in Asia since 2016. In addition, Mr. Shih is a member of Young President Organization’s Shanghai Chapter.

Mr. Shih received his MBA from Asia Open International University in December 1994 and his bachelor of science degree in food science from University of British Columbia, Canada in May 1988.

DIRECTORS AND SENIOR MANAGEMENT

Lihong Wang (王勵弘), aged 54, is an independent non-executive Director of our Group.

Ms. Wang has served as the chairman and CEO of RISE Education Cayman Ltd (Nasdaq: REDU), a leading company in offering English teaching and tutoring services in China, since January 2020 and as its director since September 2013. She also chaired the audit committee of RISE Education Cayman Ltd from October 2017 to September 2018. Prior to this role, Ms. Wang worked at Bain Capital Private Equity Asia, LLC from July 2006 to December 2019 and served as its managing director since January 2011. At Bain Capital, Ms. Wang was mainly responsible for its private equity investment in Greater China and Asia Pacific region and led deals in such verticals as industrial, consumer & retail, technology, healthcare, education and financial & business services. She also served on the investment committee of Bain Capital Asia. Before joining Bain Capital in 2006, Ms. Wang was employed at Morgan Stanley from March 2005 to July 2006. She worked at JP Morgan Securities (Asia Pacific) Limited from October 2001 to February 2005. In addition, Ms. Wang has served as an independent non-executive director and a member of audit committee of Sunac Services Holdings Limited (HKEX: 1516) since October 2020, and a non-executive director of Huifu Payment Limited, a company listed on the Main Board of the Hong Kong Stock Exchange in June 2018 under the stock code “1806” and delisted from the Hong Kong Stock Exchange in March 2021, since November 2019. From May 2010 to January 2015, she served as a non-executive director of Gome Electrical Appliance Holding Limited (HKEX: 493).

Ms. Wang obtained her MBA degree from Columbia Business School in May 1999 and her bachelor of science degree in statistics from Fudan University (復旦大學) in July 1990.

Save as disclosed in this section, the Directors have not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date. There is no material matter relating to our Directors that needs to be brought to the attention of our Shareholders, and the information of our Directors disclosed in this document comply with the requirements under Rule 13.51(2) of the Listing Rules in all material respects.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table provides information about members of our senior management (other than our executive Director):

Name	Age	Position(s)	Date of joining our Group	Roles and responsibilities
Yi Wang (王怡) (also known as Aileen Wang)	45	Chief executive officer	May 31, 2017	Overall strategic planning and business direction
Jun Zhong (鐘軍) (also known as Alex Zhong)	50	Chief operating officer	September 3, 2018	Oversee operations
Ting Wu (吳婷) (also known as Helen Wu)	46	Chief financial officer	February 22, 2021	Oversee financial operations and capital management
Xinyi Xu (徐歆奕) (also known as Michael Xu)	46	Chief performance officer	November 27, 2017	Oversee financial, legal and supply chain operations
Yujing Wang (王毓璟) (also known as Gening Wang)	43	Chief marketing officer	June 9, 2015	Brand marketing and product innovation

Yi Wang (王怡), also known as Aileen Wang, aged 45, is an executive Director and the chief executive officer of our Group. See “– Executive director”.

Jun Zhong (鐘軍), also known as Alex Zhong, aged 50, is the chief operating officer of our Company and oversees the operation and R&D of our Group.

Prior to joining our Company, Mr. Zhong had a rich set of experience in the consumer products industry. Between September 2016 and July 2018, he served as the chief operating officer of Urban Revivo, a retailer engages in the business of fast affordable fashion for women, men and teenagers’ apparel. Between December 2015 and August 2016, he served as the chief operating officer of Guangzhou Qianqianshi Crafts Co., Ltd. (廣州千千氏工藝品有限公司), a company that focuses on merchandizing self-brand cosmetics and accessories in China. Between June 2010 and May 2015, he served as the general manager of McDonald’s China’s Guangzhou market.

Mr. Zhong received his bachelor’s degree in computer sciences from Shenzhen University (深圳大學) in July 1993.

DIRECTORS AND SENIOR MANAGEMENT

Ting Wu (吳婷), also known as Helen Wu, aged 46, is the chief financial officer of our Company and oversees the financial operations and capital management of our Group. She has also been appointed as one of our joint company secretaries with effect from March 26, 2022.

Ms. Wu has extensive experience in leading major capital markets transactions and advising both sellers and buyers in M&A transactions. Prior to joining our Group, Ms. Wu served as the chief financial officer of Mogu Inc. (NYSE: MOGU) from April 2018 to March 2020. In addition, she had over 10 years’ experience in the banking industry. She served as the managing director at the M&A division of CITIC CLSA from July 2017 to April 2018 and the director of Asia industrial team at BofA Securities, (formerly known as Bank of America Merrill Lynch) from June 2012 to May 2016. She also served as the vice president of Asia industrial team at Citigroup Investment Banking from June 2010 to June 2012, and as the director of real estate sector at UBS Investment Banking from July 2006 to May 2010. Prior to that, Ms. Wu started her career in corporate finance, where she served as an associate at ABN AMRO Bank N.V. from October 2004 to June 2006 and as an associate analyst in equity research at Daiwa Securities SMBC (Australia) from July 2003 to October 2004.

Ms. Wu received her master’s degree with honours in finance from University of Melbourne in March 2003 and her bachelor’s degree in economics from Shanghai International Studies University (上海外國語大學) in June 1999.

Xinyi Xu (徐歆奕), also known as Michael Xu, aged 46, is the chief performance officer of our Company and oversees the financial, legal and supply chain operations of our Group.

Mr. Xu previously served as the financial director at Coca-Cola Bottling Investments Group China (可口可樂裝瓶投資集團中國) from September 2007 to April 2017. Between January 2004 and August 2007, he served as the financial and administration director at Lagardere China. Between March 2002 and January 2004, he served as the financial manager at Whirlpool (China) Co., Ltd., a company listed on Shanghai Stock Exchange (SSE: 600983). Prior to his management experience, he was a senior financial analyst at Honeywell (China) Co., Ltd. (霍尼韋爾(中國)有限公司), a diversified technology manufacturing enterprise, from March 2000 to December 2001. He also served as a financial analyst at Shanghai KFC Co., Ltd. (上海肯德基有限公司) from July 1998 to April 2000. In addition, Mr. Xu is a certified public accountant awarded by the Chinese Institute of Certified Public Accountants in June 2001.

Mr. Xu received his bachelor’s degree in economics from Shanghai University (上海大學) in June 1998.

Yujing Wang (王毓璟), also known as Gening Wang, aged 43, is the chief marketing officer of our Company and oversees the brand marketing and product innovation of our Group.

Ms. Wang had almost 20 years’ experience in marketing. Prior to joining our Company, she served as the director of marketing brand management and client relationship management at Estee Lauder Shanghai Commercial Co., Ltd. (the headquarters of Estee Lauder China) from September 2014 to March 2015. Between September 2013 and August 2014, she served as the

DIRECTORS AND SENIOR MANAGEMENT

director of marketing at Solaris Children Care (Shanghai) Company Limited (新文越嬰童用品(上海)有限公司), an infants’ feeding and caring accessories company. Before that, she also accumulated significant food retailer experience by serving as a senior director of the marketing department at McDonald’s China from February 2009 to September 2013. She started her career in globally-renowned FMCG companies, such as Unilever, Johnson & Johnson, and worked as a senior brand manager at Colgate China Mainland and Colgate HK from November 2004 to February 2009.

Ms. Wang received her bachelor’s degree in biochemical engineering from East China University of Science and Technology (華東理工大學) in July 2001.

Joint company secretaries

Helen Wu has been appointed as one of our joint company secretaries with effect from March 26, 2022. See “– Senior management”.

Po Yi Fok has been appointed as one of our joint company secretaries with effect from March 26, 2022.

Ms. Fok serves as the vice president of governance services of Computershare Hong Kong Investor Services Limited (“**Computershare**”). She has more than 15 years of experience in finance, accounting and company secretarial matters. Before joining Computershare, Ms. Fok worked in an international accounting firm and the Listing and Regulatory Affairs Division of the Hong Kong Stock Exchange.

Ms. Fok obtained a bachelor’s degree in business administration with honours majoring in accounting from the Chinese University of Hong Kong in December 2005 and a master’s degree in corporate and financial law from the University of Hong Kong in December 2014. She is an associate member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute. She is also a member of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS AND SENIOR MANAGEMENT

MANAGEMENT AND CORPORATE GOVERNANCE

Board committees

Audit and risk committee

Our audit and risk committee is in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit and risk committee are, among others, to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to our Board. The audit and risk committee comprises five members, namely Lihong Wang, David Brian Barr (being our independent non-executive Director with the appropriate professional qualifications), Samuel Chun Kong Shih, Zohar Ziv and Matthew James Ridgwell, with Lihong Wang as chair of the audit and risk committee.

Remuneration committee

Our remuneration committee is in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration committee comprises five members, namely David Brian Barr, Lihong Wang, Samuel Chun Kong Shih, Matthew James Ridgwell and Joseph Hugh Jordan, with David Brian Barr as chair of the remuneration committee.

Nomination committee

Our nomination committee is in compliance with the Code on Corporate Governance in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The nomination committee comprises five members, namely Frank Paul Krasovec, David Brian Barr, Lihong Wang, Samuel Chun Kong Shih and Matthew James Ridgwell, with Frank Paul Krasovec as chair of the nomination committee.

Finance committee

The primary duties of the finance committee are to review and make recommendations to our Board on capital raising proposals. The finance committee comprises three members, namely Zohar Ziv, Matthew James Ridgwell and Joseph Hugh Jordan, with Zohar Ziv as chair of the finance committee.

DIRECTORS AND SENIOR MANAGEMENT

Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules after the [REDACTED].

Board diversity

Our Company [has adopted] a board diversity policy which sets out the approach to achieve diversity of our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at our Board level, including gender diversity, as an essential element in maintaining our Company’s competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to our board diversity policy, in reviewing and assessing suitable candidates to serve as a director of our Company, the nomination committee will consider a number of aspects, including, but not limited to, gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to our board diversity policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on our Board and recommend them to our Board for adoption.

Management presence

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Accordingly, we have applied for[, and the Stock Exchange has granted], a waiver from strict compliance with Rule 8.12 of the Listing Rules. See “Waivers and exemptions” for further details.

Remuneration

Our executive Director receives remuneration, including salary, discretionary bonuses and benefits in kind, including our contribution to the benefit scheme on their behalf. Our non-executive Directors and independent non-executive Directors receive director service fees. For the details of the service contracts and appointment letters that we have entered into with our Directors, see “Statutory and general information – Further information about our Directors – Particulars of Directors’ service contracts and appointment letters” in Appendix IV.

DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors for the years ended December 31, 2019, 2020 and 2021 was approximately RMB7.8 million, RMB10.4 million and RMB60.0 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in the Accountant's Report as set out in Appendix I.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2022 is expected to be approximately RMB11.6 million.

The five highest paid individuals of our Company for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 included one, none, one and one Director, respectively. The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for the remaining four, five, four and four highest paid individuals for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 was approximately RMB17.8 million, RMB34.7 million, RMB35.7 million and RMB13.6 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 by our Company to our Directors.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

Compliance Advisor

We have appointed Somerley Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- (c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and
- (d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Advisor shall commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

Competition

Each of the Directors confirms that as of the Latest Practicable Date, save as disclosed above, he or she did not have any interest in a business which materially competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED] the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our issued shares carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of Shareholder	Capacity/Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company after the [REDACTED]
Good Taste Limited ⁽²⁾	Beneficial interest	43,076,916	[REDACTED]
Ocean Investments ⁽²⁾	Interest in controlled corporations	43,076,916	[REDACTED]
Trustee ⁽²⁾	Interest in controlled corporations	43,076,916	[REDACTED]
Mr. James Leslie Marshall ⁽²⁾	Interest in controlled corporations	43,076,916	[REDACTED]
Michelle Li Ming Marshall ⁽²⁾	Interest of spouse	43,076,916	[REDACTED]
Domino’s Pizza LLC ⁽³⁾	Beneficial interest	18,101,019	[REDACTED]
Domino’s, Inc. ⁽³⁾	Interest in controlled corporations	18,101,019	[REDACTED]
Domino’s Pizza, Inc. ⁽³⁾	Interest in controlled corporations	18,101,019	[REDACTED]

Notes:

- (1) Based on the assumptions that (a) each Class A Ordinary Share and convertible Senior Ordinary Share is converted into one Share with effect from the [REDACTED] Date, and (b) the [REDACTED] is not exercised and no further Shares are issued under the Share Incentive Plans.
- (2) Good Taste Limited is wholly-owned by Ocean Investments Limited, the entire interest of which is in turn wholly-owned and managed by a corporate trustee (the “Trustee”) for the benefit of a discretionary family trust in which, Mr. Marshall is the protector, a named person in its discretionary class of beneficiaries and one of the directors of the Trustee. Ms. Michelle Li Ming Marshall is the spouse of Mr. Marshall.
- (3) Domino’s Pizza LLC is wholly-owned by Domino’s, Inc., which is in turn wholly-owned by Domino’s Pizza, Inc.. Domino’s Pizza, Inc. is a Delaware corporation with its shares listed on the New York Stock Exchange (NYSE: DPZ).

SUBSTANTIAL SHAREHOLDERS

Except as disclosed above, our Directors are not aware of any other person who will, immediately following completion of the [REDACTED], have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group.

SHARES

AUTHORIZED AND ISSUED SHARES

The following is a description of the shares of our Company in issue and to be issued as fully paid or credited immediately before and following the completion of the [REDACTED]:

	Number of shares	Aggregate nominal value
Number of shares the Company is authorized to issue as of the date of this document	500,000,000 Shares consisting of (i) 424,714,572 Ordinary Shares, (ii) 16,794,177 2020 Non-Voting Ordinary Shares, (iii) 1,306,842 2021 Non-Voting Ordinary Shares, (iv) 16,794,177 2020 Senior Ordinary Shares, (v) 1,306,842 2021 Senior Ordinary Shares and (vi) 39,083,390 Class A Ordinary Shares, each with a par value of US\$1.00	US\$500,000,000
Shares in issue as of the date of this document	115,598,796 Shares consisting of (i) 58,414,387 Ordinary Shares, (ii) 39,083,390 Class A Ordinary Shares, (iii) 16,794,177 2020 Senior Ordinary Shares and (iv) 1,306,842 2021 Senior Ordinary Shares, each with a par value of US\$1.00	US\$115,598,796
Number of shares the Company is authorized to issue immediately before the completion of the [REDACTED]	500,000,000 Shares	US\$500,000,000
Shares to be issued under the [REDACTED]	[REDACTED] Shares	[REDACTED]
Shares in issue immediately following the [REDACTED]	[REDACTED] Shares	[REDACTED]

SHARES

Assumptions

The above table assumes that (i) each outstanding Class A Ordinary Shares, 2020 Senior Ordinary Shares and 2021 Senior Ordinary Shares is converted into one Ordinary Share immediately prior to the [REDACTED], and (ii) the [REDACTED] becomes unconditional and Shares are issued pursuant to the [REDACTED]. The above table also does not take into account any Shares that may be issued pursuant to (i) an exercise of the [REDACTED], (ii) the exercise of options or awards granted or to be granted under the Share Incentive Plans, and (iii) Shares that may be issued or repurchased by us under the general mandates granted to our Directors as referred in “– Potential changes to number of shares the Company is authorized to issue” below.

Ranking

The [REDACTED] will rank *pari passu* in all respects with all Shares currently in issue, in issue in the future, or to be issued as mentioned in this document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this document.

POTENTIAL CHANGES TO NUMBER OF SHARES THE COMPANY IS AUTHORIZED TO ISSUE

Circumstances under which general meeting and class meeting are required

Our Company may by resolution of members increase the maximum number of shares the Company is authorized to issue. The Company may also divide its shares (including those shares already in issue) into a larger number of shares or combine them into a smaller number of shares in the same class or series, provided that the maximum number of shares the Company is permitted to issue is not exceeded.

See “Summary of the constitution of our Company and BVI company law – Articles of Association – Variation of rights of existing shares or classes of shares” in Appendix III for further details.

Subject to the BVI Business Companies Act, if at any time the authorized shares of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied or abrogated either with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class or with the sanction of a Special Resolution of Members (as defined in the Articles of Association) passed at a separate general meeting of the holders of the shares of that class.

See “Summary of the constitution of our Company and BVI company law – Articles of Association – Variation of rights of existing shares or classes of shares” in Appendix III for further details.

SHARES

General mandate to issue Shares

Subject to the [REDACTED] becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Shares or securities convertible into Shares of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and the shares to be issued under the Share Incentive Plans); and
- the total number of Shares repurchased by our Company pursuant to the authority referred to in “– General mandate to repurchase Shares” below.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by resolution of members passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the British Virgin Islands or the memorandum and the articles of association of our Company; and
- the passing of resolution of members by our Shareholders in a general meeting revoking or varying the authority.

General mandate to repurchase Shares

Subject to the [REDACTED] becoming unconditional, our Directors were granted a general mandate to repurchase our own Shares up to 10% of the total number of Shares in issue immediately following completion of the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and excluding the share to be issued under the Share Incentive Plans).

This mandate only relates to repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time.

SHARES

This general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by resolution of members passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the British Virgin Islands or the memorandum and the articles of association of our Company; and
- the passing of resolution of members by our Shareholders in a general meeting revoking or varying the authority.

See “Statutory and general information – Further information about our group – Explanatory statement on repurchase of our own Securities” in Appendix IV for further details of this general mandate to repurchase Shares.

Share Incentive Plans

We adopted the 2021 Plan on January 1, 2021 and the 2022 Pre-[REDACTED] Plan on September 9, 2022. See “Statutory and general information – Share Incentive Plans” in Appendix IV for further details.

FINANCIAL INFORMATION

In the following section we discuss our historical financial results for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022. You should read the following discussion and analysis together with our audited consolidated financial statements as of and for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, and the accompanying notes included in the Accountant’s Report in Appendix I to this document. Our consolidated financial statements have been prepared in accordance with IFRS.

This discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and our financial performance and involves risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of any number of factors. In evaluating our business, you should carefully consider the information provided in this document, including “Risk Factors” and “Business”.

OVERVIEW

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. Our brand, Domino’s Pizza, is one of the most widely-recognized consumer brands in the world, according to the Frost & Sullivan Report. Our global franchisor, Domino’s Pizza, Inc., is the world’s largest pizza company in terms of 2021 global retail sales.

Our comprehensive business model features (a) a menu that is both global and local, supported by our supply chain management, logistics management and quality assurance systems, (b) differentiated delivery expertise with a 30-minute delivery promise and a fleet of dedicated riders, enabling high-quality food delivered in a timely and reliable manner, (c) technologies to better serve customers and enhance our operations and (d) a store economic model that provides the foundation for our fast-growing store network and improving profitability in the Track Record Period. This business model is purpose-built for serving Chinese consumers delicious, value for money pizza through online channels, with an emphasis on delivery, which we believe differentiates us from our competitors.

Leveraging our unique, focused business model, we have delivered a track record of consistent and rapid growth during the Track Record Period. We are 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 course of the Track Record Period, the number of Domino’s Pizza stores in our network grew from 188 as of January 1, 2019 to 508 as of June 30, 2022, representing an increase of 170%. As of the Latest Practicable Date, we directly operated 547 stores across 12 cities in the China mainland, including Beijing, Shanghai,

FINANCIAL INFORMATION

Guangzhou, Shenzhen, Hangzhou and Wuxi. Besides the expansion of our store network, our established stores have been continually generating more sales. For every quarter in the Track Record Period, we have recorded positive same-store sales growth, or SSSG, of more than 4%, including during the first six months of 2020 and 2022 when the COVID-19 pandemic severely impacted China’s catering industry. SSSG measures the sales growth of stores that are open for a period of at least 18 calendar months, excluding the period during which stores are temporarily closed, which we refer to as “same stores”.

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, we recorded revenue of RMB836.6 million, RMB1.1 billion, RMB1.6 billion, RMB766.6 million and RMB908.8 million, respectively, representing a year-on-year increase of 32.0% from 2019 to 2020, a year-on-year increase of 45.9% from 2020 to 2021 and a year-on-year increase of 18.6% from June 30, 2021 to June 30, 2022. With our delivery-focused business model, during the Track Record Period, delivery orders contributed significantly to our revenue. Sales from delivery orders generated revenue of RMB586.0 million, RMB822.4 million, RMB1.2 billion, RMB559.2 million and RMB649.8 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 70.0%, 74.5%, 73.2%, 72.9% and 71.5% of our total revenue in the same periods, respectively, which, viewed together, are significantly higher than the industry average of 40% to 50% from 2019 to 2021, according to the Frost & Sullivan Report.

We had net loss of RMB181.6 million, RMB274.1 million, RMB471.1 million, RMB205.2 million and RMB95.5 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, which is recorded as loss for the year attributable to owners of the Company. Adding back fair value change of financial liabilities at fair value through profit or loss, share-based compensation, guarantee fee for bank borrowings, [REDACTED] expenses, value-added tax additional deductions and issuance cost of convertible Senior Ordinary Shares, we incurred adjusted net loss (non-IFRS measure) of RMB168.2 million in 2019, RMB199.8 million in 2020, RMB143.3 million in 2021, RMB61.7 million for the six months ended June 30, 2021 and RMB83.1 million for the six months ended June 30, 2022. Also adding back depreciation and amortization expenses (excluding depreciation for right-of-use assets), income tax expense/(credit), interest (expense)/income and foreign exchange (losses)/gains on financing activities and store impairment charges, we had negative adjusted EBITDA (non-IFRS measure) of RMB25.5 million and RMB34.9 million for 2019 and 2020, respectively, and positive adjusted EBITDA of RMB58.3 million, RMB28.6 million and RMB42.8 million for the year ended December 31, 2021 and the six months ended June 30, 2021 and 2022, respectively. During the Track Record Period, we recorded Store EBITDA (non-IFRS measure) of RMB88.9 million in 2019, RMB116.8 million in 2020, RMB242.2 million in 2021, RMB116.2 million for the six months ended June 30, 2021 and RMB138.3 million for the six months ended June 30, 2022. Store EBITDA (non-IFRS measure) is calculated as store-level operating profit adding back depreciation of plant and equipment and amortization of intangible assets incurred at the store level. Adjusted net loss, adjusted EBITDA and Store EBITDA (non-IFRS measure) are non-IFRS measures. For more details, see “– Non-IFRS measures”.

FINANCIAL INFORMATION

We intend for this financial information section to provide readers with information that will assist in understanding our results of operations, including metrics that management uses to assess our Company’s performance. Throughout this section, we discuss the following performance and financial metrics: total number of stores in our network, SSSG, revenue, raw materials and consumables cost, staff compensation expense, depreciation of right-of-use assets, depreciation of plant and equipment, amortization of intangible assets, utilities expenses, advertising and promotion expenses, store operation and maintenance expenses, variable lease rental payment, short-term rental and other related expenses, other expenses, fair value change of financial liabilities at fair value through profit or loss, finance costs, net, loss before income tax, income tax (expense)/credit, loss for the year attributable to owners of the Company, Store EBITDA (non-IFRS measure), adjusted EBITDA (non-IFRS measure) and adjusted net loss (non-IFRS measure).

BASIS OF PRESENTATION

The historical financial information of our Group has been prepared in accordance with International Financial Reporting Standards (“IFRSs”). The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial liabilities measured at fair value through profit or loss (“FVPL”) which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 of the Accountant’s Report in Appendix I to this document.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded net current liabilities of RMB209.6 million, RMB202.5 million, RMB65.0 million and RMB64.1 million, respectively. As of August 31, 2022, we had net current liabilities of RMB84.3 million. We generated net cash inflows from operating activities amounting to RMB124.3 million, RMB103.5 million, RMB332.1 million and RMB167.6 million for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. Our Directors have reviewed our cash flow forecast, which covers a period of not less than twelve months from June 30, 2022. In preparing the cash flow forecast, our Directors have considered our Group’s capital expenditures plans (including the new stores opening plan in the forecast period), estimated cash flows provided by operations, existing cash on hand and other available source of funds.

Based on the above considerations, our historical performance and management’s operating and financing plans, the Directors believe that we will have sufficient working capital to finance our operations and to meet our financial obligations as and when they fall due for not less than twelve months from June 30, 2022. Consequently, the historical financial information has been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

FINANCIAL INFORMATION

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by general factors affecting the catering industry and food delivery services in China, which include changes in consumer tastes and dining preferences, the outbreak of any food-borne illnesses, changes in the regulatory, legal and public policy landscapes, and general economic and business conditions in China. Unfavorable changes in any of these factors could negatively affect the demand for our products and services and materially and adversely affect our results of operations.

Our results of operations are also affected by certain company-specific factors, including our ability to achieve the following:

Expand our store network

Our business growth depends on the scale and expansion of our store network. During the Track Record Period, we realized a rapid growth in the number of our Domino’s Pizza stores. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had 268, 363, 468 and 508 stores, respectively. The following table sets forth the total number of stores in our network and their movement for the period indicated.

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Number of stores at the beginning of the period	188	268	363	468
Number of new stores opened during the period	83	98	108	46
Number of stores closed ⁽¹⁾ during the period	3	3	3	6
Number of stores at the end of the period	268	363	468	508

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 location serving the same 30-minute delivery radius (in each case more than six months after the initial closure).

FINANCIAL INFORMATION

Our initial emphasis of our business operations was on Beijing and Shanghai, where we have established significant presence and accumulated a large customer base. We collectively refer to our markets other than Beijing and Shanghai as our “new growth markets”.

The following table sets forth the breakdown of the total number of stores in our network by geographical location as of the dates indicated.

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

The following table sets forth average daily sales per store by market during the Track Record Period:

	For the year ended			For the six months	
	December 31,			ended June 30,	
	2019	2020	2021	2021	2022
Average daily sales per store⁽¹⁾ (RMB)					
<i>By market</i>					
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:

- (1) Average daily sales per store is 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.
- (2) New growth markets refer to Shenzhen, Guangzhou, Hangzhou, Tianjin, Nanjing, Suzhou, Wuxi, Ningbo, Foshan and Dongguan.

FINANCIAL INFORMATION

The decrease in our overall average daily sales per store from 2019 to 2020 was primarily attributable to an increase in the proportion of new stores in new growth markets in our store network as we grew rapidly. In addition, despite the increase in same-store sales over this period, new stores in new growth markets typically ramp up their average daily sales per store from a lower base after they are opened than stores in Beijing and Shanghai. The increase in average daily sales per store from 2020 to 2021 was primarily attributable to our strong sales growth over the period across all markets and the improving initial average daily sales per store in new growth markets. This outpaced the impact from the increase in the proportion of new stores over the same period. Additionally, sales volume was bolstered by the general recovery of consumer demand as the adverse impact of the COVID-19 pandemic eased, as well as the increased popularity of delivery services following a shift in consumer habits – a trend that was accelerated by the COVID-19 pandemic. Our average daily sales per store increased for the six months ended June 30, 2022, compared to that for the six months ended June 30, 2021, mainly due to our strong sales growth over the period across all markets, and the continued improving initial average daily sales per store in new growth markets.

We generally 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 both cities. At the same time, our average daily sales per store increased substantially faster in our new growth markets, with an overall increase of 47.7% from 2019 to June 30, 2022, primarily attributed to the fact that we expanded into new markets where there was widely untapped consumer demand and gradually improved our brand awareness, and the fact that our stores ramped up sales quickly as we continued to build out our footprint and penetrate in these new growth markets.

We expect to significantly expand our presence and increase penetration in Beijing, Shanghai and our new growth markets in China as we continue to capitalize on the significant white space in the China pizza market and leverage our strong brand value and customer favorability in China. For details of our expansion strategy, see “Business – Our growth strategies – Rapidly increase the number of our stores”, “Business – Our Domino’s Pizza store network – Growth of our store network” and “Future plans and use of [REDACTED]”.

Continually grow same-store sales

SSSG is an important indicator of the overall strength of our business. This metric measures the sales growth of stores that are open for a period of at least 18 calendar months, excluding the period during which stores are temporarily closed, which we refer to as “same stores”. We consistently recorded positive SSSG of more than 4% in every quarter during the Track Record Period, including during the first six months of 2020 and 2022 when the COVID-19 pandemic severely impacted China’s catering industry. The following table sets forth the number of same stores and our SSSG during the Track Record Period.

FINANCIAL INFORMATION

	For the year ended December 31,				For the six months	
	2019	2020	2020	2021	ended June 30, 2021	ended June 30, 2022
Number of same stores		217		301		360
Same-store sales ⁽¹⁾ (RMB'000)	712,958	776,906	989,579	1,174,452	593,342	675,988
SSSG		9.0%		18.7%		13.9%

Note:

(1) Same-store sales represent the revenue of all stores that qualify as same stores during the period.

Our same-store sales increased by 9.0% from RMB713.0 million in 2019 to RMB776.9 million in 2020, and increased further by 18.7% from RMB989.6 million in 2020 to RMB1,174.5 million in 2021. The increase in SSSG from 2019 to 2021 was primarily due to increases in our average sales value per order and average orders per store per day. Our same-store sales increased by 13.9% from RMB593.3 million for the six months ended June 30, 2021 to RMB676.0 million for the six months ended June 30, 2022, primarily due to increases in our average sales value per order across all markets and strong growth in average orders per store per day in our new growth markets.

The increase in average sales value per order across all of our markets has primarily been driven by our continued efforts in menu innovation, active marketing and trade-up strategies in combo offerings, which have enabled us to increase sales value while maintain customer demand. In addition, the increasing brand awareness in new growth markets also encouraged our customers there to purchase more for each order. Moreover, although new growth markets typically have more dine-in customers, 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.

Our average orders per store per day has been primarily driven by increases in our new growth markets, partially offset by decreases in Beijing and Shanghai and the adverse impact of the COVID-19 pandemic. In our new growth markets, the increase in average orders per store per day 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. In Beijing and Shanghai, we recorded a slight decrease in average orders per store per day over the Track Record Period, primarily because we have been expanding into locations that have relatively lower populations compared to our existing locations, resulting in lower order volume relative to existing stores. Across all of our markets, the COVID-19 pandemic adversely impacted average orders per store per day, with a more pronounced effect on our new growth markets, where the proportion of dine-in is relatively higher and thus more susceptible to the impact of lockdowns and other COVID-19 restrictions.

FINANCIAL INFORMATION

We plan to continually grow our same-store sales by promoting our brand and strengthening our customer loyalty, further enhancing our technology, strengthening our pizza-focused, value for money menu and enhancing our delivery services to achieve sustainable business sustainability and long-term profitability.

Control cost of raw materials and consumables

We purchase raw materials and consumables in the ordinary course of our operations, which include both food ingredients, such as cheese, flour, pizza sauce, pork and chicken, and non-food supplies, such as our pizza packing materials. The prices of such goods can directly affect the cost of food and beverage products we provide to our customers. We have a centralized procurement policy to ensure that we (a) meet our procurement needs, (b) carefully select and vet new suppliers, (c) regularly inspect and evaluate existing suppliers, and (d) negotiate competitive purchase terms with suppliers. For more details on how we maintain the quality of the supplies and negotiate competitive purchase terms, please see “Business – Supply chain management – Procurement and supplier management”.

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our raw materials and consumables cost was RMB228.1 million, RMB310.5 million, RMB425.6 million, RMB203.6 million and RMB247.2 million, respectively, representing 27.3%, 28.1%, 26.4%, 26.6% and 27.2% of our total revenue in the same periods, respectively. The increase in our raw materials and consumables cost from 2019 to June 30, 2022 was in line with our revenue growth.

We plan to further enhance our brand awareness and expand our store network, which we expect will result in more sales. As our sales increase and our procurement volumes increase commensurately, we expect to have increased negotiating power with suppliers and enhance our economies of scale, which we can leverage to reduce our procurement costs as a percentage of total revenue. For more information on our business strategies, please see “Business – Our growth strategies”.

Manage staff compensation expense

Our success mainly depends on our ability to attract, motivate and retain a sufficient number of qualified staff. Our staff can be broadly divided into store and central kitchen-level staff and corporate-level staff. Our store and central kitchen-level staff include store managers, our in-store crew, our dedicated delivery riders, and staff who work at our central kitchens to provide support to our daily operations. At the store level, we typically have one store manager, one to two in-store staff working full-time and the remaining staff are working part-time. Our corporate-level staff include senior management personnel, regional managers, and other function teams including store development, IT, marketing, product design, finance, legal and other general administration, who support our overall business in a centralized manner. We need to attract both excellent store-level and corporate-level staff to support the expansion of our

FINANCIAL INFORMATION

store network and execute our business strategies. We also rely on our qualified and well-trained store-level staff to provide high-quality delivery and carryout and dine-in services to maintain the continual sales growth at our stores.

We arrange store-level staff based on the store’s sales volume to ensure the normal operations of our stores. With the growth in the number of stores we operate during the Track Record Period, the number of our store-level staff and the amount of our staff compensation expense attributable to store-level staff increased commensurately. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our store-level salary-based expense was RMB247.6 million, RMB316.0 million, RMB462.6 million, RMB217.9 million and RMB262.3 million, respectively, representing 29.6%, 28.6%, 28.7%, 28.4% and 28.9% of our total revenue in the same periods, respectively.

In conjunction with the expansion of our store network, we typically hire more corporate-level staff incrementally to support an increasing number of stores, and we provide share-based incentives to reward and maintain high-quality talents. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our staff compensation expense attributable to our corporate-level staff was RMB88.3 million, RMB153.2 million, RMB240.9 million, RMB124.6 million and RMB74.6 million, respectively, representing 10.6%, 13.9%, 14.9%, 16.3% and 8.2% of our total revenue in the same periods, respectively. The increase of staff compensation expense attributable to our corporate-level staff from 2019 to 2021 was mainly driven by the rising number of corporate-level staff in 2020 and 2021, who supported the operations of a broader store network, the increase of their merit-based salaries, and the increase in share-based compensation resulted from the increase in total equity value of our Group and the RSUs granted and vested. The decrease of staff compensation expense attributable to our corporate-level staff from the first half of 2021 to the first half of 2022 was the result of the decrease in share-based compensation, partially offset by a slight increase in merit-based salaries and the increase in the number of corporate-level staff in line with our expansion. The decrease in share-based compensation was mainly driven by the cancellation of stock appreciation right (“SAR”) awards of our executives in part and in full during these two periods respectively, which resulted in a one-off reversal of the corresponding accumulated share-based compensation provided since its inception. The value of the SAR awards has grown significantly since they were granted in line with the value appreciation of our business. Our corporate-level salary-based expense was RMB79.3 million, RMB120.0 million, RMB150.0 million, RMB74.0 million and RMB77.9 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 9.5%, 10.9%, 9.3%, 9.6% and 8.6% of our total revenue in the same periods, respectively.

We expect our overall staff compensation expense to rise in the future as we continue to expand our store network which requires additional staffing to support our daily operations, while our overall staff compensation expense as a percentage of total revenue to decline primarily as our corporate-level staff accumulate more abundant experience and become well-equipped to support the operations of a larger number of stores.

FINANCIAL INFORMATION

Control rental expenses

We do not own any real estate and all of our premises including our stores, central kitchens and offices are located on leased properties. Our rental expenses include depreciation of right-of-use assets and variable lease rental payment, short-term rental and other related expenses. During the Track Record Period, our rental expenses amounted to RMB105.5 million, RMB136.6 million, RMB180.0 million, RMB85.3 million and RMB105.2 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 12.6%, 12.4%, 11.2%, 11.1% and 11.6% of our total revenue in the same periods, respectively. The increase of rental expenses was mainly driven by the expansion of our store network from a total of 268 stores as of December 31, 2019 to a total of 508 stores as of June 30, 2022. The decrease in our rental expenses as a percentage of total revenue from 2019 to 2021 was mainly due to the strong growth of our revenue and our strengthened negotiating power to negotiate more favorable lease terms as we enhanced our brand recognition. Our rental expenses as a percentage of revenue remained relatively stable for the six months ended June 30, 2022, compared to that for the six months ended June 30, 2021.

We anticipate our rental expenses to grow as we continue to expand our geographic coverage. Leveraging our increased brand recognition, we expect our rental expenses as a percentage of our total revenue to decrease as we negotiate more favorable lease terms in the future, and as our excellent taste, value-for-money and timely delivery of pizza continue to drive the growth of our same-store sales.

IMPACT OF COVID-19 ON OPERATIONS

Industry background of the COVID-19 pandemic

The COVID-19 pandemic has materially and adversely affected the global economy. In response, countries and regions around the world, including China, have imposed widespread lockdowns, closure of workplaces and restrictions on mobility and travel to contain the spread of COVID-19. Since the initial outbreak of COVID-19 and up to the Latest Practicable Date, travel restrictions and quarantine requirements had been imposed from time to time by local governments to counter regional outbreaks, including those of new variants, such as the Delta and Omicron variants.

Due to the adverse impact of COVID-19, the size of China’s catering industry declined in 2020 to RMB3,952.7 billion, according to the Frost & Sullivan Report. As China’s economy gradually improved since the second half of 2020 thanks to its successful mitigation effort, China’s catering industry is expected to grow steadily and reach RMB8,279.9 billion in 2026, representing a CAGR of 12.0% from 2021 to 2026, according to the Frost & Sullivan Report. In terms of dining options, the penetration rate of food delivery increased from 6.5% in 2016 to 18.1% in 2020, as COVID-19 accelerated the transformation of consumers’ dining preference towards delivery.

FINANCIAL INFORMATION

Impact on our business and financial performance

Despite the negative impact of COVID-19 on China’s catering industry, the pandemic and the relevant government measures have not had a material adverse impact on our business and financial performance. Furthermore, the COVID-19 pandemic accelerated the consumer adoption of food delivery as a regular dining habit. As our business focuses on delivery, our overall performance remained relatively resilient against the backdrop of the pandemic. Our total revenue increased every period during the Track Record Period and our same-store sales consistently grew every quarter during the Track Record Period. In particular, our revenue generated from food delivery increased significantly. During the Track Record Period, our revenue from delivery orders increased by 40.3% from RMB586.0 million in 2019 to RMB822.4 million in 2020, further increased by 43.5% from RMB822.4 million in 2020 to RMB1.2 billion in 2021 and further increased by 16.2% from RMB559.2 million for the six months ended June 30, 2021 to RMB649.8 million for the six months ended June 30, 2022.

However, from time to time, local governments in China have imposed and may continue to impose travel restrictions and quarantine requirements to counter regional outbreaks, which adversely impacted our operation. For example, in accordance with local public health guidelines, 30 of our stores suspended operations for a few days in February and March of 2020. Despite the temporary adverse impact, our non-delivery services overall still demonstrate resilience since the COVID-19 outbreak. The total revenue derived from our non-delivery orders in each year of the Track Record Period displays a positive growth trajectory. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our revenue from non-delivery orders was RMB250.6 million, RMB281.7 million, RMB431.2 million, RMB207.4 million and RMB259.0 million, respectively, representing 30.0%, 25.5%, 26.8%, 27.1% and 28.5% of our total revenue, respectively. In 2020, 2021 and the six months ended June 30, 2022, 44, 34 and 329 of our stores closed temporarily for an average of 14, 5 and 28 days, respectively, due to the impact of the COVID-19 pandemic and the related control measures.

In 2022, as a result of the recent outbreak of COVID-19 in certain regions of China, operations at some of our stores in Shanghai, Shenzhen and Beijing have been adversely impacted since mid-March of 2022 as a result of local governments’ implementation of temporary lockdown and travel restrictions, which resulted in temporary store closure and staffing shortage. In April 2022, almost all of our stores in Shanghai were closed, for both dine-in and delivery, as a result of citywide lock-downs. Since mid-April, our stores in Shanghai have gradually been allowed to reopen. As of June 30, 2022, almost all of our stores in Shanghai are operating. In Shenzhen, our stores in the city were closed for one week in March. After the one-week citywide lockdown, our business returned to normal in Shenzhen. In Beijing, all dine-in services were suspended from May 1, 2022 to June 6, 2022 as a result of the COVID-19 control measures imposed by the local government. However, we continued to offer delivery services to our customers in Beijing during that time. Due primarily to the impact of the COVID-19 pandemic and related control measures, our revenues in the first half of 2022 were approximately RMB55 million to RMB65 million lower than our management forecasts for the period. In addition to store closures, we are experiencing staff shortages in

FINANCIAL INFORMATION

Shanghai because of the heightened health check requirements and citywide lockdown imposed by the local government there. The recent COVID-19 surge in China has also caused supply chain disruptions. Operations at our central kitchen in Shanghai were negatively impacted, and it became necessary for us to enlist our central kitchens in Sanhe, Hebei Province and Dongguan, Guangdong province to service stores originally covered by that central kitchens, resulting in higher logistics expense. In May 2022, our central kitchen in Shanghai resumed production.

Despite these closures, staff shortages and supply chain disruptions, we did not experience a material increase in our operational costs. Additionally, we received COVID-19 related government grants in 2020, 2021 and the first half of 2022. The total amount of government grants we received, which includes certain exemptions on value-added tax granted by the PRC government authorities and additional COVID-19 government grants granted by the PRC government, was RMB14.4 million, RMB2.8 million and RMB4.3 million in 2020, 2021 and the first half of 2022, respectively.

To mitigate the impact of the COVID-19 pandemic on our business and protect our employees and customers, we have implemented the following measures:

- *Establishing a designated working group.* At the beginning of the COVID-19 pandemic, we established a designated working group to plan for and implement emergency measures to counter the adverse impact of the COVID-19 pandemic. Our designated working group promptly records evolving and emerging local government policies to ensure swift responses and strict regulatory compliance.
- *Improving our delivery service.* To ensure our customers can comfortably enjoy our food products, for each delivery order, we offer our customers a contactless delivery option. We continue to improve our omnichannel presence, enabling our customers to easily place delivery orders from us.
- *Continually ensuring customer and employee safety.* We deeply care about the health of our customers and employees. We have issued guidance to direct our staff to safely return to work. We also adopted daily body temperature checks of our staff and implemented health and sanitation guidelines to prevent the spread of COVID-19 in our stores and central kitchens. Additionally, we regularly schedule on-site training at our stores and central kitchens to reinforce preventive measures against the spread of COVID-19.

In general, our business and financial performance has not been materially and adversely affected by COVID-19 or the emergence of new COVID-19 variants, include the Alpha, Beta, Gamma, Delta and Omicron variants. Since the second half of 2020 and up to the Latest Practicable Date, although certain stores had temporarily suspended operations in accordance with local public health guidelines, the temporary suspensions had no material impact on our results of operations or financial performance.

FINANCIAL INFORMATION

Impact on other aspects of our operations

Apart from the impact on our business and financial performance, the following aspects of our operations had also been affected by the COVID-19 pandemic to varying degrees:

- *Staffing.* As a result of the travel restrictions and quarantine requirements that applied to some of our staff, we experienced temporary staffing shortage at some of our stores in February and March of 2020, and from March to June of 2022.
- *Store expansion plan.* Due to the closure of workplaces and travel restrictions across China during the first half of 2020, the opening and renovation of a few stores experienced temporary delay. Nevertheless, the development, construction and decoration of new Domino’s Pizza stores were all completed as we scheduled in the original plan.

Recovery and protection measures

We have proactively taken measures to mitigate the impact of the COVID-19 pandemic on our business and to protect our employees and customers. Such measures include:

- *Establishing a designed working group.* At the beginning of the COVID-19 pandemic, we established a designated working group to plan for and implement emergency measures to counter the adverse impact of the COVID-19 pandemic. Our designated working group promptly records evolving and emerging local government policies to ensure swift responses and strict regulatory compliance.
- *Improving our delivery service.* To ensure our customers can comfortably enjoy our food products, for each delivery order, we offer our customers a contactless delivery option. We continue to improve our omnichannel presence, enabling our customers to easily place delivery orders from us.
- *Continually ensuring customer and employee safety.* We deeply care about the health of our customers and employees. We have issued guidance to direct our staff to safely return to work from their hometowns. We also adopted daily body temperature checks of our staff and implemented health and sanitation guidelines to prevent the spread of COVID-19 in our stores and central kitchens. Additionally, we regularly schedule on-site training at our stores and central kitchens to reinforce preventive measures against the spread of COVID-19.

Conclusion

Despite the impact of the COVID-19 pandemic on our operations outlined above, we still managed to achieve continual revenue growth in each period of the Track Record Period, partly as a result of the promptness in implementing our COVID-19 recovery and protection measures

FINANCIAL INFORMATION

and our brand recognition and loyal customer base. In addition, we achieved positive SSSG of more than 4% in every quarter of the Track Record Period, including during the first six months of 2020 and 2022 when the COVID-19 pandemic severely impacted China’s catering industry.

However, there is no comparable recent events that provide guidance as to the effect the COVID-19 pandemic may have or how it will evolve. The extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19, the scope and duration of the restricted measures to contain COVID-19 or treat its impact, evolution of variants of the virus and effectiveness of the vaccines, among others. Hence, there is no guarantee that COVID-19 will not have any material and adverse impact on our business operations, our growth and expansion plans. For details on risks related to the COVID-19 pandemic, please refer to “Risk factors – Risks relating to our business and industry – We are susceptible to outbreak, epidemic or pandemic of infectious or contagious diseases such as the COVID-19 pandemic, diseases of animals, food-borne illnesses as well as negative publicity relating to such incidents”.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and associated assumptions, which we believe are reasonable under the circumstances, are based on our historical experience and other factors, and form the basis of our judgements about matters that are not readily apparent from other sources. When reviewing our financial results, you should consider: (a) our selection of critical accounting policies, (b) the judgement and other uncertainties affecting the application of such policies and (c) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires management judgements based on information and financial data that may change in future periods, and as a result, actual results could differ from those estimates.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 2 and 4 of the Accountant’s Report in Appendix I to this document.

FINANCIAL INFORMATION

Significant accounting policies

Revenue recognition

We recognize revenue when control of goods has been transferred and services have been rendered. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of our Group’s activities. Revenue is shown net of returns, value-added tax and discounts, and after eliminating sales within our Group.

We generate revenue from sales of food and beverages through self-developed website and app, third-party platforms and retail stores. Sales of food and beverages are recognised in the consolidated statements of comprehensive income at the point in time, upon when food and beverages are accepted by customers.

We have established a customer loyalty incentive program which allows customers to earn award credits from each order. The award credits can be redeemed to deduct payment in the next order. We also provide coupons to customers as compensation of late delivery, which can be redeemed for free food in the next order. Award credits and coupons for customers are accounted for as separate performance obligations and the fair value of the consideration received or receivable is allocated among the food and beverages sold, award credits and coupons based on their stand-alone selling price (“SSP”). The SSP of the food and beverages is directly observable and determined by the price that they are sold separately. The SSP of award credits and coupons is measured by reference to the amount for which the award credits and coupons could be sold separately considering the breakage based on our best estimation. Such consideration is not recognized as revenue at the time of the initial sale transaction, but is deferred in “contract liabilities” and recognized as revenue when the award credits and coupons are redeemed and our obligations have been fulfilled.

Any consideration payable to customers or third parties with no distinct good or service received from those customers is recognised as a reduction of the revenue.

Plant and equipment

All plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

FINANCIAL INFORMATION

Depreciation of the plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the lease terms or useful life of 6 years, whichever the shorter
Machinery and equipment	5-10 years
Office equipment	5 years
Motor vehicles	5 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within “other (losses)/gains, net” in the consolidated statements of comprehensive income.

Intangible assets

Before July 2017, we were the majority shareholder of DPZ China. DPZ China held 100% equity interests in Pizzavest China Ltd. which was Domino’s Pizza’s master franchisee in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China. In July 2017, new ordinary shares were issued to a third party as consideration to acquire the remaining equity interests in DPZ China (the “**Acquisition**”). After the Acquisition, DPZ China became a wholly-owned subsidiary of our Company.

As of the completion date of the Acquisition, intangible assets of the master franchise fee as identified from the Acquisition were recognized at the fair value of approximately RMB954.4 million. Goodwill of approximately RMB360.5 million, which represented the excess of total consideration over the fair value of the identified net assets acquired, was also recognized.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over our interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the amount of the non-controlling interest in the acquiree. Goodwill on acquisition of subsidiaries is included in intangible assets.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (“**CGUs**”), that is expected to benefit from the synergies of the combination. The recoverable amount of the group of CGUs, which is

FINANCIAL INFORMATION

allocated to the whole group, are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 10-year period. Considering our store expansion plan, we plans to continue to grow our presence in China by expanding our geographic coverage and deepening our market penetration. As a result, we expect that we will be in a period of rapid development for the next few years, before reaching a more stable stage in the next decade. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the key assumptions are:

	Year ended December 31,			Six months ended
	2019	2020	2021	June 30, 2022
	%	%	%	%
Revenue growth rate	11.4-39.3	11.4-37.8	9.2-27.6	9.2-26.9
Pre-tax discount rate	19.9	19.1	18.3	18.3
Terminal growth rate	<u>3.0</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>

When the foregoing key assumptions are applied in the impairment testing, as of December 31, 2019, 2020 and 2021 and June 30, 2022, the headroom, which is the excess of the recoverable amount of a CGU over the carrying amount of that CGU, of our Group’s CGUs containing goodwill for the periods presented are RMB1,095.3 million, RMB1,603.9 million, RMB3,385.9 million and RMB3,731.1 million, respectively.

Based on the results of the impairment assessment, our Directors concluded that no impairment on goodwill has to be recognized as of the respective balance sheet dates.

FINANCIAL INFORMATION

Sensitivity analysis

Had the estimated key assumptions during the forecast period been changed as shown below, the headroom would have been decreased to the following amounts:

	As of December 31,			As of
	2019	2020	2021	June 30,
	<i>(in RMB thousands)</i>			2022
Revenue amount decreases				
by 10%	529,908	945,344	2,015,856	2,338,269
Discount rate increases				
by 1 percentage point	738,763	1,182,263	2,794,033	3,142,854
Terminal growth rate				
decreases by 0.5				
percentage point	<u>1,010,376</u>	<u>1,523,340</u>	<u>3,233,686</u>	<u>3,572,554</u>

Therefore, our Directors also concluded that any reasonable possible changes in key assumptions would not lead to impairment of the goodwill as of the respective balance sheet dates.

Master Franchise Agreement

Master Franchise Agreement, or MFA, acquired in a business combination is recognized at its fair value on the acquisition date. MFA is amortised on the straight-line basis over estimated useful lives of 30 years, which is also the contractual term of the MFA with renewal terms considered.

We should pay additional store franchise fee for each new opening store. Store franchise fees are recognized at cost and amortised on the straight-line bases over estimated operation period of the new store.

According to the MFA, royalty fees are based on a fixed percentage of revenue and the expenses are recognized in “Store operation and maintenance expenses” as incurred.

Acquired software and website

Acquired software and website are recognized at cost and amortized on the straight-line basis over estimated useful lives of 1-10 years. The acquired software and website is well-developed and used for financial reporting and business operation. The estimated useful life will not exceed the authorized use period of the acquired software and website. Based on

FINANCIAL INFORMATION

the current functionalities of this software and website and our daily operation needs, we consider a useful life of 1-10 years to be the best estimation of useful life under our current financial reporting and business operation needs.

Self-developed website and app

Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the website and app so that it will be available for use; (b) management intends to complete the website and app and use or sell it; (c) there is an ability to use or sell the website and app; (d) it can be demonstrated how the website and app will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the website and app are available; and (f) the expenditure attributable to the website and app during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred.

We capitalized development expenditure of self-developed website and app and the website and app are amortised on the straight-line basis over estimated useful lives of 10 years. The proprietary website and app is developed for pizza ordering. There is no expiry date for the proprietary website and app, and we can use and maintain the website and app as long as they can meet our pizza ordering needs. Based on the current functionalities of this website and app, we consider a useful life of 10 years to be the best estimation under current our business needs.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Leases

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 six years with extension options, which we generally managed to extend 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. Details of extension options are described below.

Contracts may contain both lease and non-lease components. We allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which we are a lessee, we have elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

FINANCIAL INFORMATION

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (if applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by us under residual value guarantees;
- the exercise price of a purchase option if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects us exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for our leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, we:

- where possible, use recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- use a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by us, which does not have recent third party financing; and
- make adjustments specific to the lease, e.g. term, country, currency and security.

We are exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

FINANCIAL INFORMATION

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following (if applicable):

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If we are reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise information technology equipment and small items of office furniture.

Extension and termination options are included in a number of our property leases. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, we consider all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (“**lease modification**”) that is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in IFRS 16 Leases. In such cases, we took advantage of the practical expedient set out in IFRS 16 and recognised the change in consideration as if it were not a lease modification.

FINANCIAL INFORMATION

Convertible Senior Ordinary Shares

We issued convertible Senior Ordinary Shares which give holders a right for redemption into cash after specified time or a right for conversion into ordinary shares of our Company upon [REDACTED] automatically or any time at holders’ option. The convertible Senior Ordinary Shares will be automatically converted into ordinary shares upon occurrence of certain events outside the control of our Company.

We designate convertible Senior Ordinary Shares as financial liabilities at FVPL. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as expense in profit or loss.

Subsequent to initial recognition, the convertible Senior Ordinary Shares are carried at fair value with changes in fair value recognised as “fair value change of financial liabilities at FVPL” in the consolidated statements of comprehensive income. The component of fair value changes relating to our Company’s own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized.

In relation to the valuation of the fair value measurement of financial liabilities, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of the Pre-[REDACTED] Shareholders’ Agreement; (ii) engaged an independent business valuer, provided the necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (iii) carefully considered all information, especially those non-market related information input, such as the fair value of the ordinary shares of our Company, possibilities under different scenarios, time to liquidation and discount for lack of marketability, which require management assessments and estimates; and (iv) reviewed the valuation working papers and results prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of financial liabilities, particularly the fair value hierarchy, the valuation methodology, key assumptions and the sensitivity of key assumptions to fair value are disclosed in Note 3.3 and Note 25 to the Accountant’s Report set out in Appendix I to this document, which was reported on by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant’s opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on page I-1 of Appendix I to this document.

FINANCIAL INFORMATION

In relation to the valuation of the financial liabilities classified within level 3 of the fair value measurement, the Sole Sponsor has conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountant’s Report as contained in Appendix I of this document and relevant documents prepared by the valuer; (ii) discussed with the Company and the valuer about the key basis and assumptions for the valuation of the financial liabilities; and (iii) discussed with the Reporting Accountant about the audit procedures they performed in accordance with International Standards on Auditing regarding the valuation of the financial liabilities for the purpose of reporting on the Historical Financial Information of the Group, as a whole. Having considered the work done by the Directors and the Reporting Accountant and the relevant due diligence conducted as described above, nothing has come to the Sole Sponsor’s attention that would cause the Sole Sponsor to question the valuation analysis performed by the valuer on the financial liabilities classified within level 3 of the fair value measurement.

Impairment of plant and equipment, Master Franchise Agreement and right-of-use assets

We assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, including, among others, the economic impact of the unprecedented COVID-19 pandemic on our operations and the region in which we operate. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated results of operations for the periods presented, both in absolute amount and as percentages of our total revenue. This information should be read together with our consolidated financial statements and related notes included elsewhere in this document. The results of operations in any particular period are not necessarily indicative of our future trends.

FINANCIAL INFORMATION

	For the six months ended									
	For the Year Ended December 31,						June 30,			
	2019		2020		2021		2021		2022	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
<i>(in RMB thousands, except for percentage data)</i>										
<i>(Unaudited)</i>										
Revenue	836,629	100.0	1,104,053	100.0	1,611,327	100.0	766,559	100.0	908,789	100.0
Raw materials and consumables cost	(228,065)	(27.3)	(310,505)	(28.1)	(425,580)	(26.4)	(203,574)	(26.6)	(247,193)	(27.2)
Staff compensation expense	(335,873)	(40.1)	(469,224)	(42.5)	(703,458)	(43.7)	(342,589)	(44.7)	(336,908)	(37.1)
Depreciation of right-of-use assets	(98,612)	(11.8)	(128,426)	(11.6)	(162,049)	(10.1)	(76,574)	(10.0)	(90,984)	(10.0)
Depreciation of plant and equipment	(57,737)	(6.9)	(76,932)	(7.0)	(98,656)	(6.1)	(46,859)	(6.1)	(56,673)	(6.2)
Amortization of intangible assets	(36,111)	(4.3)	(40,210)	(3.6)	(43,031)	(2.7)	(20,842)	(2.7)	(23,477)	(2.6)
Utilities expenses	(42,963)	(5.1)	(53,807)	(4.9)	(71,702)	(4.4)	(33,733)	(4.4)	(37,305)	(4.1)
Advertising and promotion expenses	(61,535)	(7.4)	(86,274)	(7.8)	(121,861)	(7.6)	(59,625)	(7.8)	(53,873)	(5.9)
Store operation and maintenance expenses	(53,730)	(6.4)	(75,715)	(6.9)	(101,826)	(6.3)	(48,226)	(6.3)	(57,676)	(6.3)
Variable lease rental payment, short-term rental and other related expenses	(6,875)	(0.8)	(8,146)	(0.7)	(17,975)	(1.1)	(8,698)	(1.1)	(14,231)	(1.6)
Other expenses	(45,034)	(5.4)	(56,332)	(5.1)	(56,988)	(3.5)	(21,992)	(2.9)	(45,211)	(5.0)
Fair value change of financial liabilities at fair value through profit or loss	–	–	(13,933)	(1.3)	(201,300)	(12.5)	(83,384)	(10.9)	(1,079)	(0.1)
Other income	2,421	0.3	15,910	1.4	4,424	0.3	3,134	0.4	19,889	2.2
Other (losses)/gain, net	(3,047)	(0.4)	(6,196)	(0.6)	(1,776)	(0.1)	3,229	0.4	(1,587)	(0.2)
Finance costs, net	(51,018)	(6.1)	(61,940)	(5.6)	(87,671)	(5.4)	(40,941)	(5.3)	(48,218)	(5.3)
Loss before income tax	(181,550)	(21.7)	(267,677)	(24.2)	(478,122)	(29.7)	(214,115)	(27.9)	(85,737)	(9.4)
Income tax (expense)/credit	–	–	(6,373)	(0.6)	7,059	0.4	8,892	1.2	(9,738)	(1.1)
Loss for the year attributable to owners of the Company	<u>(181,550)</u>	<u>(21.7)</u>	<u>(274,050)</u>	<u>(24.8)</u>	<u>(471,063)</u>	<u>(29.2)</u>	<u>(205,223)</u>	<u>(26.8)</u>	<u>(95,475)</u>	<u>(10.5)</u>

FINANCIAL INFORMATION

Revenue

During the Track Record Period, we generated revenue from the operation of restaurants. During the same period, we operated our business in China and generated all of our revenue from customers in China. Our revenue can be categorized by the location of stores, ordering channel and dining option.

The following table sets forth our revenue by region, both in absolute amounts and as percentages of our total revenue, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in RMB thousands, except for percentage data)</i>									
Beijing and Shanghai	702,158	83.9	869,203	78.7	1,146,956	71.2	554,059	72.3	579,769	63.8
New growth markets ⁽¹⁾	134,471	16.1	234,850	21.3	464,371	28.8	212,500	27.7	329,020	36.2
Total	836,629	100	1,104,053	100	1,611,327	100	766,559	100	908,789	100

Note:

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

In terms of dining options, our revenue is primarily generated from delivery orders and non-delivery orders, which comprise carryout and dine-in orders. During the Track Record Period, delivery orders contributed significantly to our revenue. The following table sets forth our revenue by dining options, both in absolute amounts and as percentages of our total revenue, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in RMB thousands, except for percentage data)</i>									
Delivery	586,009	70.0	822,359	74.5	1,180,171	73.2	559,171	72.9	649,803	71.5
Non-delivery	250,620	30.0	281,694	25.5	431,156	26.8	207,388	27.1	258,986	28.5
Total	836,629	100	1,104,053	100	1,611,327	100	766,559	100.0	908,789	100.0

FINANCIAL INFORMATION

In terms of order channels, our revenue is generated through orders placed on online channels, third-party online channels and offline channels. The table below sets forth a breakdown of our revenue by order channel, both in absolute amounts and as percentages of our total revenue, for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019	2020		2021		2021	2022			
	<i>(in RMB thousands, except percentages)</i>									
Revenue:										
<i>By order placement channel</i>										
Our own online channels	270,475	32.3%	483,786	43.8%	784,127	48.7%	362,304	47.3%	470,935	51.8%
Third-party channels	442,382	52.9%	571,994	51.8%	761,987	47.3%	375,843	49.0%	383,815	42.2%
Offline channels	123,773	14.8%	48,273	4.4%	65,212	4.0%	28,412	3.7%	54,040	6.0%
Total	836,629	100.0%	1,104,053	100.0%	1,611,327	100.0%	766,559	100.0%	908,789	100.0%

Raw materials and consumables cost

Our raw materials mainly consist of food ingredients, including cheese, flour, pizza sauce, pork and chicken. Our consumables mainly consist of utensils, containers and packaging materials necessary for the operation of our Domino’s Pizza stores. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our raw materials and consumables cost was RMB228.1 million, RMB310.5 million, RMB425.6 million, RMB203.6 million and RMB247.2 million, respectively, representing 27.3%, 28.1%, 26.4%, 26.6% and 27.2% of our total revenue in the same periods, respectively. Over the Track Record Period, the cost of raw materials represented approximately 90% of our total raw materials and consumables cost, while the cost of consumables represented the remaining 10%. For example, in the six months ended June 30, 2022, raw materials and consumables accounted for approximately 88.3% and 11.7%, respectively, of total our raw materials and consumables cost. Within raw materials, meat products, dairy products and sauces accounted for approximately 65%-70% of our total cost of raw materials over the Track Record Period.

The increase in our raw materials and consumables cost is primarily attributable to (i) the growth in the scale of operations, which has increased our need for raw materials and consumables, (ii) changes in our product mix as a result of new product launches and updates to our menu, and (iii) fluctuations in the cost of the raw materials and consumables that we purchase. In particular, with respect to fluctuations in cost, we purchase the vast majority of our raw materials and consumables from domestic suppliers, and therefore are primarily affected by cost fluctuations in the Chinese markets. For details about our procurement needs, see “Business – Supply Chain Management – Procurement and supplier management – Our procurement needs.” See also “Industry overview – Cost of raw materials and labor – Cost of raw materials” for an overview of how the costs of certain raw materials in China have fluctuated.

FINANCIAL INFORMATION

Staff compensation expense

Our staff compensation expense consists of salary-based expense and share-based compensation. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our staff compensation expense was RMB335.9 million, RMB469.2 million, RMB703.5 million, RMB342.6 million and RMB336.9 million, respectively, representing 40.1%, 42.5%, 43.7%, 44.7% and 37.1% of our total revenue in the same periods, respectively.

Our staff compensation expense can be further divided into staff compensation expense attributable to store and central kitchen-level staff and staff compensation expense attributable to corporate-level staff which includes both salary-based expense and share-based compensation. The following table sets forth a breakdown of our staff compensation expense at the store and central kitchen level and the corporate level for the periods indicated.

	Six months ended				
	Year ended December 31,			June 30,	
	2019	2020	2021	2021	2022
<i>(in RMB thousands)</i>					
Store and Central Kitchen Level					
Cash-based compensation expenses for full-time store staff	101,572	138,083	202,736	92,305	125,885
Cash-based compensation expenses for part-time store staff	110,823	133,384	197,714	94,786	107,441
Expenses relating to outsourced riders ⁽¹⁾	23,583	31,373	46,328	23,013	20,258
Cash-based compensation expenses for central kitchen staff	11,618	13,169	15,818	7,840	8,732
Subtotal	247,597	316,009	462,596	217,943	262,316
Corporate Level					
Cash-based compensation expenses for full-time staff	79,345	120,013	150,042	73,962	77,930
Share-based compensation	8,932	33,202	90,821	50,684	(3,338)
Subtotal	88,277	153,215	240,863	124,646	74,592
Total staff compensation expense	335,873	469,224	703,458	342,589	336,908

Note:

- (1) Represents service fees paid to third-party delivery service providers. Such fees are paid principally on the basis of the numbers orders delivered by riders allocated to us by such third-party delivery service providers.

FINANCIAL INFORMATION

For the years ended December 31, 2019, 2020 and 2021, we recognized share-based compensation of RMB8.9 million, RMB33.2 million and RMB90.8 million, respectively. The increase in share-based compensation from 2019 to 2021 was mainly the result of the increase in total equity value of our Group during the respective years. We recorded share-based compensation of RMB50.7 million for the six months ended June 30, 2021 as the total equity value of our Group continued to increase. We recorded a reversal in share-based compensation of RMB3.3 million for the six months ended June 30, 2022, primarily due to the cancellation of SAR awards of our executives in part and in full during the six months ended June 30, 2021 and 2022 respectively, which resulted in a one-off reversal of the corresponding accumulated share-based compensation expense provided since its inception.

Depreciation of right-of-use assets

Our depreciation of right-of-use assets represents the depreciation of capitalized lease incurred by long-term leased properties in accordance with IFRS 16. We lease various offices, stores and central kitchens, and typically enter into rental contracts for fixed periods and may have the options to renew such contracts.

The table below sets forth the depreciation of right-of-use assets by the type of properties for the periods indicated.

	Six months ended				
	Year ended December 31,			June 30,	
	2019	2020	2021	2021	2022
	<i>(in RMB thousands)</i>				
Depreciation of right-of-use assets					
Leased properties – stores and central kitchens	94,149	123,951	157,384	74,719	88,791
Leased properties – offices	4,463	4,475	4,665	1,855	2,193
Total	<u>98,612</u>	<u>128,426</u>	<u>162,049</u>	<u>76,574</u>	<u>90,984</u>

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our depreciation of right-of-use assets was RMB98.6 million, RMB128.4 million, RMB162.0 million, RMB76.6 million and RMB91.0 million, respectively, representing 11.8%, 11.6%, 10.1%, 10.0% and 10.0% of our total revenue in the same periods, respectively.

FINANCIAL INFORMATION

Depreciation of plant and equipment

Our depreciation of plant and equipment mainly includes the depreciation of (a) leasehold improvements and (b) machinery and equipment. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our depreciation of plant and equipment was RMB57.7 million, RMB76.9 million, RMB98.7 million, RMB46.9 million and RMB56.7 million, respectively, representing 6.9%, 7.0%, 6.1%, 6.1% and 6.2% of our total revenue in the same periods, respectively.

Amortization of intangible assets

Our amortization of intangible assets mainly consists of the amortization of (a) the intangible assets recorded under our MFA, which include the master franchise fee and store franchise fee and (b) our development and license of software and website. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our amortization of intangible assets was RMB36.1 million, RMB40.2 million, RMB43.0 million, RMB20.8 million and RMB23.5 million, respectively, representing 4.3%, 3.6%, 2.7%, 2.7% and 2.6% of our total revenue in the same periods, respectively.

Utilities expenses

Our utilities expenses primarily include electricity, water and gas charges paid by us for our Domino’s Pizza stores, central kitchens and offices, with the vast majority of such utilities expenses incurred in connection with the operation of our stores. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our utility expenses were RMB43.0 million, RMB53.8 million, RMB71.7 million, RMB33.7 million and RMB37.3 million, respectively, representing 5.1%, 4.9%, 4.4%, 4.4% and 4.1% of our total revenue in the same periods, respectively. The increase in utilities expense over the Track Record Period was primarily due to the growth of our operations as we have opened more stores. The following table sets forth a breakdown of our utilities expenses for the periods indicated, in both absolute amounts and as a percentage of our total utilities expenses:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	<i>(in RMB thousands, except for percentages)</i>									
Utilities expenses:										
Stores	41,579	96.8%	52,045	96.7%	69,657	97.2%	32,802	97.2%	36,424	97.6%
Central kitchens	1,157	2.7%	1,665	3.1%	1,887	2.6%	838	2.5%	832	2.2%
Offices	227	0.5%	97	0.2%	158	0.2%	93	0.3%	49	0.1%
Total	<u>42,963</u>	<u>100%</u>	<u>53,807</u>	<u>100%</u>	<u>71,702</u>	<u>100%</u>	<u>33,733</u>	<u>100.0%</u>	<u>37,305</u>	<u>100.0%</u>

FINANCIAL INFORMATION

Advertising and promotion expenses

Our advertising and promotion expenses are primarily incurred in connection with (a) digital marketing, (b) marketing through offline channels and (c) our loyalty program. We engage in marketing activities through a diverse mix of online and offline media, as well as through our loyalty program. For details on our marketing and promotion, please see “Business – Marketing and promotion”. As we remain focused on growing our presence in China, including by expanding to new markets and acquiring customers across all markets to drive sales, we have prioritized our advertising and promotion efforts and have incurred expenses commensurately. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our advertising and promotion expenses were RMB61.5 million, RMB86.3 million, RMB121.9 million, RMB59.6 million and RMB53.9 million, respectively, representing 7.4%, 7.8%, 7.6%, 7.8% and 5.9% of our total revenue in the same periods, respectively. The following table sets forth a breakdown of our advertising and promotion expenses for the periods indicated, in both absolute amounts and as a percentage of our total advertising and promotion expenses:

	For the year ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	<i>(in RMB thousands, except for percentages)</i>									
Advertising and promotion expenses:										
Digital marketing ⁽¹⁾	27,186	44.2%	41,241	47.8%	62,763	51.5%	31,423	52.7%	27,490	51.0%
Marketing through offline channels	28,997	47.1%	38,003	44.0%	51,267	42.1%	24,533	41.1%	21,616	40.1%
Loyalty program	5,020	8.2%	6,625	7.7%	7,250	5.9%	3,448	5.8%	4,092	7.6%
Others	333	0.5%	406	0.5%	581	0.5%	221	0.4%	675	1.3%
Total	61,535	100.0%	86,274	100.0%	121,862	100.0%	59,625	100.0%	53,873	100.0%

Note:

- (1) Digital marketing expenses primarily comprise fees payable to third-party platforms, livestreaming fees, and other online marketing fees.

Other expenses

Our other expenses consist of (a) telecommunication and information technology related expenses, (b) travelling and related expenses, (c) professional service expenses, (d) auditor’s remuneration, (e) [REDACTED] expenses and (f) others, including training fee, business meal, stamp duty tax and other office expenses.

FINANCIAL INFORMATION

The following table sets forth the details of our other expenses for the periods indicated.

	Six months ended				
	Year ended December 31,			June 30,	
	2019	2020	2021	2021	2022
	<i>(in RMB thousands)</i>				
	<i>(Unaudited)</i>				
Telecommunication and information technology related expenses ⁽¹⁾	14,853	23,183	16,583	7,939	12,111
Travelling and related expenses	12,587	13,826	9,782	4,605	3,144
Professional service expenses ⁽²⁾	9,761	9,465	7,797	3,702	4,506
Auditor’s remuneration	1,476	1,946	2,301	1,153	1,420
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	6,357	7,912	10,229	4,593	7,431
Total	45,034	56,332	56,988	21,992	45,211

Notes:

- (1) Telecommunication and information technology related expenses mainly include rental expenses for cloud services, telephone bills and information technology maintenance fee.
- (2) Professional service expenses represent fees paid to independent, professional service providers in connection with legal, market research, recruitment and tax services. We pay legal fees primarily in connection with day-to-day legal services provided by both PRC counsel and offshore counsel. We incur market research fees for market surveys conducted by reputable market consulting service providers. We pay recruitment fees primarily in connection with services provided by talent search service providers. Our tax consulting fees primarily represent tax consulting and settlement services provided by international and PRC-based tax consulting service providers. The table below sets forth a breakdown of these professional service expenses, both in absolute amounts and as a percentage of our professional service expenses:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	<i>(in RMB thousands, except for percentages)</i>									
Professional services expenses:										
Legal services	3,640	37.3%	1,870	19.8%	1,673	21.4%	905	24.5%	758	16.8%
Market research services	2,877	29.5%	2,830	29.9%	1,650	21.2%	953	25.7%	1,280	28.4%
Recruitment services	1,541	15.8%	2,877	30.4%	2,674	34.3%	943	25.5%	1,150	25.5%
Tax services	1,703	17.4%	1,888	19.9%	1,800	23.1%	900	24.3%	1,319	29.3%
Total	9,761	100.0%	9,465	100.0%	7,797	100.0%	3,702	100.0%	4,506	100.0%

FINANCIAL INFORMATION

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our other expenses were RMB45.0 million, RMB56.3 million, RMB57.0 million, RMB22.0 million and RMB45.2 million, respectively, representing 5.4%, 5.1%, 3.5%, 2.9% and 5.0% of our total revenue in the same periods, respectively.

Fair value change of financial liabilities at fair value through profit or loss

We designate convertible Senior Ordinary Shares as financial liabilities at FVPL.

The following table sets forth the details of fair value change of financial liabilities at FVPL for the periods indicated.

	Year ended December 31,			Six months ended	
	2019	2020	2021	2021	2022
	<i>(in RMB thousands)</i>				
Convertible Senior Ordinary Shares ⁽¹⁾	–	(13,933)	(201,300)	(83,384)	(1,079)

Note:

- (1) Upon the [REDACTED], all convertible Senior Ordinary Shares will be automatically converted into ordinary shares which will no longer be recognized as financial liabilities at fair value through profit or loss.

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our fair value change of financial liabilities at FVPL was nil, a loss of RMB13.9 million, a loss of RMB201.3 million, a loss of RMB83.4 million and a loss of RMB1.1 million, respectively, representing nil, 1.3%, 12.5%, 10.9% and 0.1% of our total revenue in the same periods, respectively.

FINANCIAL INFORMATION

Store operation and maintenance expenses

Our store operation and maintenance expenses primarily include royalty expenses and store operating expenses and store maintenance expenses. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our store operation and maintenance expenses were RMB53.7 million, RMB75.7 million, RMB101.8 million, RMB48.2 million and RMB57.7 million, respectively, representing 6.4%, 6.9%, 6.3%, 6.3% and 6.3% of our total revenue in the same periods, respectively. The following table sets forth a breakdown of our store operating and maintenance expenses for the periods indicated, both in absolute amounts and as a percentage of our total store operating and maintenance expenses:

	Year ended December 31,						Six months ended June 30,			
	2019	2020		2021		2021	2022			
	<i>(in RMB thousands, except for percentages)</i>									
Store operating and maintenance expenses:										
Royalty expenses	24,509	45.6%	33,759	44.6%	49,332	48.4%	23,516	48.8%	27,797	48.2%
Store operating expenses ⁽¹⁾	19,963	37.2%	31,394	41.5%	40,433	39.7%	19,070	39.5%	23,252	40.3%
Store maintenance expenses ⁽²⁾	4,849	9.0%	6,281	8.3%	8,815	8.7%	3,968	8.2%	4,457	7.7%
Others	4,409	8.2%	4,281	5.7%	3,246	3.2%	1,672	3.5%	2,170	3.8%
Total	53,730	100.0%	75,715	100.0%	101,826	100.0%	48,226	100.0%	57,676	100.0%

Notes:

- (1) Primarily represent expenses related to logistic fees, cleaning fees, office supplies, and other day-to-day expenses incurred in our store operations.
- (2) Primarily represent store maintenance fees (related to regular disinfection, fire equipment inspection and others), equipment maintenance fees, and vehicle maintenance fees.

Finance costs, net

Our finance costs, net primarily comprise interest expenses, guarantee fee for bank borrowings and issuance cost of convertible Senior Ordinary Shares, offset by interest income on cash at bank and net foreign exchange (losses)/gains on financing activities. Interest expenses mainly include those from our borrowings, those from our lease liabilities and those from our long-term payables.

FINANCIAL INFORMATION

The following table sets forth the details of our finance costs, net for the periods indicated.

	Six months ended				
	Year ended December 31,			June 30,	
	2019	2020	2021	2021	2022
	<i>(in RMB thousands)</i>				
	<i>(Unaudited)</i>				
Interest income on cash at bank	1,594	1,159	1,860	1,008	890
Interest expenses	(42,773)	(59,866)	(73,212)	(36,392)	(35,443)
– Bank borrowings	(1,049)	(10,401)	(14,171)	(7,305)	(8,760)
– Lease liabilities	(29,713)	(37,360)	(48,659)	(23,672)	(26,326)
– Long-term payables	(12,011)	(12,105)	(10,382)	(5,415)	(357)
Guarantee fee for bank borrowings ⁽¹⁾	(4,408)	(16,876)	(16,126)	(8,116)	(12,269)
Issuance cost of convertible Senior Ordinary Shares	–	(10,226)	(9,235)	(1,368)	–
Net foreign exchange (losses)/gains on financing activities	(5,431)	23,869	9,042	3,927	(1,396)
Total	<u>(51,018)</u>	<u>(61,940)</u>	<u>(87,671)</u>	<u>(40,941)</u>	<u>(48,218)</u>

Note:

- (1) Guarantee fee for bank borrowings represents fees associated with the guarantee by Good Taste Limited and James Marshall for the borrowings from a bank by our Group. We have fully repaid the balance of such bank borrowings by the end of March 2022. In addition, we have secured a credit facility from another bank, with a term of three years from the first drawdown to supplement the working capital needs when necessary.

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, we incurred RMB51.0 million, RMB61.9 million, RMB87.7 million, RMB40.9 million and RMB48.2 million of finance costs, net, respectively, representing 6.1%, 5.6%, 5.4%, 5.3% and 5.3% of our total revenue in the same periods, respectively.

NON-IFRS MEASURES

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted net loss (non-IFRS measure), adjusted EBITDA (non-IFRS measure) and Store EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company. We believe that these measures provide useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as they

FINANCIAL INFORMATION

help our management. However, our presentation of adjusted net loss (non-IFRS measure), adjusted EBITDA (non-IFRS measure) and Store EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

Reconciliation of our Non-IFRS Measures with IFRS Measures

The following table sets forth a reconciliation of our Store EBITDA (non-IFRS measure) for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 to the nearest measure prepared in accordance with IFRS, which is store-level operating profit. We define store-level operating profit as 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.

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	<i>(in RMB thousands)</i>				
Reconciliation of store-level operating profit and Store EBITDA					
Store-level operating profit	36,442	44,679	148,561	71,844	83,325
Add:					
Depreciation of plant and equipment – store level ⁽¹⁾	52,045	71,648	92,680	43,892	54,424
Amortization of intangible assets – store level ⁽²⁾	389	489	994	439	589
	36,442	44,679	148,561	71,844	83,325
Store EBITDA	88,876	116,816	242,235	116,175	138,338

Notes:

- (1) Depreciation of plant and equipment – store level is calculated based on depreciation of plant and equipment incurred at our stores and central kitchens, and does not include the depreciation of right-of-use assets.
- (2) Amortization of intangible assets – store level is calculated based on amortization of store franchise fees.

FINANCIAL INFORMATION

The following table sets forth a reconciliation of our adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measures) for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 to the nearest measure prepared in accordance with IFRS, which is net loss for the year.

	For the year ended December 31,		For the six months		
	2019	2020	2021	2021	2022
	<i>(in RMB thousands)</i>				
Reconciliation of net loss and adjusted net loss and adjusted EBITDA					
Net loss for the year ⁽¹⁾	(181,550)	(274,050)	(471,063)	(205,223)	(95,475)
Add:					
Fair value change of financial liabilities at fair value through profit or loss ⁽²⁾	–	13,933	201,300	83,384	1,079
Share-based compensation ⁽³⁾	8,932	33,202	90,821	50,684	(3,338)
Guarantee fee for bank borrowings ⁽⁴⁾	4,408	16,876	16,126	8,116	12,269
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Value-added tax additional deductions ⁽⁶⁾	–	–	–	–	(14,218)
Issuance cost of convertible Senior Ordinary Shares ⁽⁷⁾	–	10,226	9,235	1,368	–
Adjusted Net Loss	<u>(168,210)</u>	<u>(199,813)</u>	<u>(143,285)</u>	<u>(61,671)</u>	<u>(83,084)</u>
Add:					
Depreciation and amortization ⁽⁸⁾	93,848	117,142	141,687	67,701	80,150
Income tax expense/(credit) ⁽⁹⁾	–	6,373	(7,059)	(8,892)	9,738
Finance cost ⁽¹⁰⁾	46,610	34,838	62,310	31,457	35,949
Store impairment charge ⁽¹¹⁾	2,221	6,606	4,635	–	–
Adjusted EBITDA	<u>(25,531)</u>	<u>(34,854)</u>	<u>58,288</u>	<u>28,595</u>	<u>42,753</u>

FINANCIAL INFORMATION

Notes:

- (1) Net loss for the year is recorded as loss for the year attributable to owners of the Company.
- (2) Fair value change of financial liabilities at fair value through profit or loss represents the losses arising from change in fair value to convertible Senior Ordinary Shares. Such changes are non-cash in nature. Upon the [REDACTED], all convertible Senior Ordinary Shares will be automatically converted into ordinary shares which will no longer be recognized as financial liabilities at fair value through profit or loss.
- (3) Share-based compensation represents directors’ compensation, stock appreciation rights and RSUs. Share-based compensation is adjusted for as the items included are non-cash in nature and are not directly correlated with our business performance in a given year.
- (4) Guarantee fee for bank borrowings represents fees associated with the guarantee by Good Taste Limited and James Marshall for the borrowings from a bank by our Group. We have fully repaid the balance of such bank borrowings by the end of March 2022.
- (5) [REDACTED] relate to the [REDACTED] of our company.
- (6) Value-added tax additional deductions relate to COVID-19 related tax subsidies that are one-off in nature.
- (7) Issuance cost of convertible Senior Ordinary Shares represents the professional expense in connection with our issuance of convertible Senior Ordinary Shares in 2020 and 2021.
- (8) The amount of depreciation and amortization presented represents the depreciation of plant and equipment and the amortization of intangible asset and does not include depreciation of right-of-use assets which approximates the rental expense of capitalized lease contracts.
- (9) Income tax expense/(credit) represents PRC corporate income tax in connection with profits generated by our wholly owned subsidiaries, Dash Beijing and Domino’s Pizza (Ningbo) Co., Ltd., and the recognition of deferred income tax.
- (10) Finance cost represents interest (expense)/income and net foreign exchange (losses)/gains on financing activities, which are not directly correlated with our business performance in a given year.
- (11) Store impairment change represents impairment charge of right-of-use assets, impairment charge of plant and equipment, and impairment charge of intangible assets, which are non-cash in nature.

The following table sets forth a reconciliation of net loss to adjusted net loss, and further to store-level operating profit, for the periods indicated.

	Year ended December 31,			Six months ended	
	2019	2020	2021	June 30, 2021	2022
	<i>(in RMB thousands)</i>				
Reconciliation of net loss and adjusted net loss and store-level operating profit					
Loss for the year attributable to owners of the Company	(181,550)	(274,050)	(471,063)	(205,223)	(95,475)

FINANCIAL INFORMATION

	Year ended December 31,			Six months ended	
	2019	2020	2021	June 30, 2021	2022
	<i>(in RMB thousands)</i>				
Add:					
Fair value change of financial liabilities at fair value through profit or loss	–	13,933	201,300	83,384	1,079
Guarantee fee for bank borrowings	4,408	16,876	16,126	8,116	12,269
Share-based compensation	8,932	33,202	90,821	50,684	(3,338)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Value-added tax additional deductions	–	–	–	–	(14,218)
Issuance cost of convertible senior ordinary shares	–	10,226	9,235	1,368	–
Adjusted net losses	<u>(168,210)</u>	<u>(199,813)</u>	<u>(143,285)</u>	<u>(61,671)</u>	<u>(83,084)</u>
Income tax expense/(credit)	–	6,373	(7,059)	(8,892)	9,738
Finance cost ⁽¹⁾	46,610	34,838	62,310	31,457	35,949
Store impairment charge	2,221	6,606	4,635	–	–
Corporate overhead ⁽²⁾	157,416	212,995	239,243	117,313	124,807
Other income and other loss, net (excluding store impairment charge)	(1,595)	(16,320)	(7,283)	(6,363)	(4,084)
Store-level operating profit	<u>36,442</u>	<u>44,679</u>	<u>148,561</u>	<u>71,844</u>	<u>83,325</u>

Notes:

- (1) Finance cost represents interest (expense)/income and net foreign exchange (losses)/gains on financing activities, which are not directly correlated with our business performance in a given year.
- (2) Corporate overhead represents staff compensation expense, depreciation and amortization, other expenses, advertising and promotion expenses, depreciation of right-of-use assets, short-term rental and other related expenses and utilities expenses, in each case at the corporate level.

FINANCIAL INFORMATION

Store EBITDA (non-IFRS measure)

We define Store EBITDA (non-IFRS measure) as store-level operating profit adding back depreciation of plant and equipment and amortization of intangible assets incurred at the store level.

During the Track Record Period, our Store EBITDA (non-IFRS measure) increased from RMB88.9 million in 2019 to RMB116.8 million in 2020, further increased from RMB116.8 million in 2020 to RMB242.2 million in 2021, and increased from RMB116.2 million for the six months ended June 30, 2021 to RMB138.3 million for the six months ended June 30, 2022. The improvements in our Store EBITDA (non-IFRS measure) during the Track Record Period was mainly driven by our enhanced brand awareness and the expansion of our store network, which increased our store sales, and our improved operational efficiency from 2019 to the six months ended June 30, 2022.

We also compute Store EBITDA (non-IFRS measure) for Beijing and Shanghai and our new growth markets. Store EBITDA (non-IFRS measure) for a particular market excludes certain costs that are not allocable to any particular market. The table below sets forth the Store EBITDA (non-IFRS measure) of Beijing and Shanghai and our new growth markets, as well as the amount of unallocated costs, for the periods indicated.

	For the year ended			For the six months	
	December 31,			ended June 30,	
	2019	2020	2021	2021	2022
	<i>(RMB in millions)</i>				
Store EBITDA					
(Beijing and Shanghai)	133.4	169.9	262.7	127.4	129.5
Store EBITDA					
(new growth markets)	(5.1)	(6.3)	31.0	14.5	42.6
Unallocated costs ⁽¹⁾	(39.4)	(46.7)	(51.4)	(25.7)	(33.7)
Store EBITDA					
(all markets)	88.9	116.8	242.2	116.2	138.3

Note:

- (1) Mainly represents the operation costs incurred from the central kitchens, our call center and staff training expenses in anticipation of new store opening, which are not allocable to a particular market.

FINANCIAL INFORMATION

Store EBITDA (non-IFRS measure) margin is calculated for a given year by dividing Store EBITDA (non-IFRS measure) by revenue for that year and multiplying the result by 100%. The table below sets forth Store EBITDA margin (non-IFRS measures) for Beijing and Shanghai, for our new growth markets and for all markets, as well as unallocated costs as a percentage of revenue.

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	<i>(in percentages)</i>				
Store EBITDA (non-IFRS measure) margin					
Beijing and Shanghai	19.0	19.5	22.9	23.0	22.3
New growth markets	(3.8)	(2.7)	6.7	6.8	12.9
All markets	10.6	10.6	15.0	15.2	15.2
Unallocated costs ⁽¹⁾	(4.7)	(4.2)	(3.2)	(3.4)	(3.7)

Note:

- (1) Represents, as a percentage of revenue, the operation costs incurred from the central kitchens, our call center and staff training expenses in anticipation of new store opening, which are not allocable to a particular market, all of which are not allocable to any particular market.

Adjusted EBITDA (non-IFRS measure)

We define adjusted EBITDA (non-IFRS measure) as net loss for the period adjusted by adding back fair value change of financial liabilities at fair value through profit or loss, share-based compensation, guarantee fee for bank borrowings, [REDACTED] expenses, value-added tax additional deductions, issuance cost of convertible Senior Ordinary Shares, depreciation and amortization (excluding depreciation of right-of-use assets), income tax expense/(credit), interest (expense)/income and net foreign exchange (losses)/gains and store impairment charge.

During the Track Record Period, our adjusted EBITDA (non-IFRS measure) was negative RMB25.5 million in 2019, negative RMB34.9 million in 2020, positive RMB58.3 million in 2021, positive RMB28.6 million for the six months ended June 30, 2021 and positive RMB42.8 million for the six months ended June 30, 2022. During the Track Record Period, our stores continued to perform strongly with increased revenue and well managed cost. Our Store EBITDA margin (non-IFRS measure) also improved during the Track Record Period. However, our business is still in a fast growing stage and we need to reserve more resources to prepare for continued growth, which in turn caused us to incur more corporate expenses relative to our revenue growth. Therefore, a decrease of adjusted EBITDA (non-IFRS measure) was observed in 2020. As our revenue and operational efficiency continue to improve, we achieved a positive adjusted EBITDA (non-IFRS measure) in 2021 and the six months ended June 30, 2022.

FINANCIAL INFORMATION

Adjusted net loss (non-IFRS measure)

We define adjusted net loss (non-IFRS measure) as net loss for the period adjusted by adding back fair value change of financial liabilities at fair value through profit or loss, share-based compensation, guarantee fee from bank borrowings, [REDACTED] expenses, value-added tax additional deductions and issuance cost of convertible Senior Ordinary Shares.

We incurred significant adjusted net losses (non-IFRS measure) during the Track Record Period, primarily because historically we made substantial initial investments to drive rapid growth of our store network and enhance brand awareness, which we believe are indispensable to establish competitive advantages in the catering industry and capitalize on the significant white space in the pizza market in China for our path to profitability. During the Track Record Period, our adjusted net loss (non-IFRS measure) was RMB168.2 million in 2019, RMB199.8 million in 2020, RMB143.3 million in 2021, RMB61.7 million for the six months ended June 30, 2021 and RMB83.1 million for the six months ended June 30, 2022. The fluctuation in our adjusted net loss (non-IFRS measure) from 2019 to June 30, 2022 was mainly attributable to our strategic effort to expand our store network and enhance our brand awareness.

TAXATION

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, we had income tax (expense)/credit of nil, RMB(6.4) million, RMB7.1 million, RMB8.9 million and RMB(9.7) million, respectively. The fluctuation in income tax (expense)/credit was mainly driven by (a) current income tax expenses incurred at certain subsidiaries which commenced generating taxable income since 2020 and (b) the recognition of deferred income tax assets on temporary differences based on the estimated future available taxable income. As of the Latest Practicable Date, we did not have any material dispute with any tax authority.

We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the BVI, the Cayman Islands, Hong Kong and China, which we believe are significant.

BVI

We are incorporated as a business company with limited liability under the BVI Business Companies Act and are not subject to tax on income or capital gains. Further, payment of dividends by the Company to its shareholders is not subject to any withholding tax under the laws of the BVI.

Cayman Islands

Our subsidiary, Pizzavest China Ltd., has not been subject to any taxation in the Cayman Islands.

FINANCIAL INFORMATION

Hong Kong

Our subsidiary in Hong Kong is subject to a profit tax rate of 16.5%. During the Track Record Period, Hong Kong profits tax had not been provided as our subsidiaries have no estimated assessable profits earned in or derived from Hong Kong.

China mainland

Under the PRC Enterprise Income Tax Law, our PRC subsidiaries, and controlled entities and their subsidiaries were subject to statutory tax rate of 25%, subject to preferential tax treatments available to qualified enterprises in certain encouraged sectors of the economy. Domino’s Pizzavest (Ningbo) Co., Ltd. and Domino’s Pizza (Dongguan) Co., Ltd. are qualified as small and micro businesses and enjoy preferential income tax rate as approved by the local tax authorities effective from the date of the respective dates of their establishments. The tax rates applied for the year ended December 31, 2021 and the six months ended June 30, 2022 are 2.5% on taxable income for the first RMB1.0 million, 10% of tax rate on taxable income for the subsequent RMB1.0 million to RMB3.0 million and 25% of tax rate on taxable income over RMB3.0 million respectively.

BUSINESS SUSTAINABILITY

Overview

We are a restaurant chain operator built upon a global brand in an early stage of rapid expansion in China. Since 2018, the first full year during which our current chief executive officer and most of our current core executive management team joined our Company, we have experienced a transformational change in terms of our growth strategy and results. In particular, under the leadership of our current chief executive officer, we have (i) added a leadership team with substantial experience in the Chinese catering industry, (ii) adopted tailored localization strategies, (iii) implemented an actionable store expansion plan, (iv) become more focused on a delivery-centric business model, and (v) strengthened our innovation with respect to both our menu and our technology. At the core of this transformational change is our belief that, given the significant whitespace and growth potential of the China pizza market, developing a broad, nationwide store network is key to the long-term success and competitiveness of our business.

Under the leadership of our current management team, we have been focused on growing Domino’s Pizza into a national brand in China by opening new stores in existing and new markets, while closely monitoring our profitability. As a result, during the Track Record Period, we (i) rapidly expanded our store network, (ii) maintained consistent and improving store-level profitability, and (iii) improved our group-level adjusted EBITDA (non-IFRS measure). Although we incurred net losses and adjusted net losses (non-IFRS measure) during the Track Record Period, we are focused on improving our group-level bottom-line profitability as we continue to execute our store growth strategy. We plan to continue to increase our revenue while controlling our costs and expenses, which we expect will improve our bottom-line profitability in the future.

FINANCIAL INFORMATION

Our historical performance

Our track record of growth and improving profitability

To illustrate the scale of our transformation since our current executive officer and management team joined our Company, the table below sets forth certain of our key financial and operating metrics during the Track Record Period.

	As of and for the year ended			As of and for the	
	December 31,			six months ended	
	2019	2020	2021	June 30, 2021	2022
Number of stores	268	363	468	415	508
Revenue (RMB'000)	836,629	1,104,053	1,611,327	766,559	908,789
SSSG	7.3%	9.0%	18.7%	22.6%	13.9%
Store-level operating profit margin	4.4%	4.0%	9.2%	9.4%	9.2%
Store EBITDA margin (non-IFRS measure)	10.6%	10.6%	15.0%	15.2%	15.2%
Adjusted EBITDA (non-IFRS measure) (RMB'000)	(25,531)	(34,854)	58,288	28,595	42,753
Adjusted EBITDA margin	(3.1%)	(3.2%)	3.6%	3.7%	4.7%

We believe the metrics shown in the above table demonstrate that we have achieved:

- Rapid growth of our store network and revenue.* Our nationwide presence grew from five cities at the beginning of 2018 to 12 cities as of June 30, 2022. 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%, and further increased to 508 stores as of June 30, 2022. Our stores have also recorded increasing sales, as demonstrated by our consistently-positive SSSG throughout every quarter of the Track Record Period, despite a decrease in the first half of 2022 that was primarily attributable to the effects of the COVID-19 pandemic. This has driven a significant increase in our revenue.
- Improving store-level profitability.* We were profitable at the store level, meaning our aggregate store earnings covered our aggregate store costs, as demonstrated by our positive and improving store-level operating profit margin and Store EBITDA margin (non-IFRS measure) during the Track Record Period.

FINANCIAL INFORMATION

- *Improving group-level adjusted EBITDA.* We saw steady improvement in our adjusted EBITDA during the Track Record Period, which improved from negative RMB25.5 million in 2019 to positive RMB58.3 million in 2021. Our adjusted EBITDA (non-IFRS measure) remained positive in June 30, 2022, and amounted to RMB42.8 million.

Our net loss and adjusted net loss

Despite our rapid growth and improving profitability, 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. In the same periods, we recorded adjusted net losses (non-IFRS measure) of RMB168.2 million, RMB199.8 million, RMB143.3 million and RMB83.1 million, respectively.

The net losses and adjusted net losses (non-IFRS measure) we incurred during the Track Record Period were primarily the result of our current core executive management’s strategic decision to prioritize the expansion of our store network. In particular, beginning in 2018, when most of our current core executive management joined our Company, we have been focused on rapidly expanding our store network by accelerating the pace at which we open new stores and enter new markets. As a result, since 2018, the number of our stores, as well the number of cities in which we have a presence, has each increased more rapidly as compared to the period from 2010 (the year in which we acquired the master franchise) to 2018. At the same time, we have been monitoring our bottom line to ensure our expansion is sustainable, and have kept our annual adjusted net losses at between approximately RMB140 million and RMB200 million during the Track Record Period.

Because of our strategic decision, to prioritize store growth while monitoring profitability, (1) at the store level, our store network has a high proportion of new stores and stores in new growth markets, which are initially unprofitable because it take time to ramp up their sales and pay back the costs of opening them; and (2) at the corporate level, we have made significant investments in our business to support our expansion, such as in our talent pool for store development, regional store management and IT functions, as well as brand-building activities. These two factors were the key reasons for our net losses and adjusted net losses (non-IFRS measure) during the Track Record Period. Each is described in more detail below.

FINANCIAL INFORMATION

Ramp-up of new stores and new growth markets

During the Track Record Period, we executed on our growth strategies and opened 320 new stores. As a result, as of June 30, 2022, stores that have been opened for three and a half years or less represented approximately 63% of our total stores. In addition, as part of our strategy to build a nationwide store network, we have been focused on expanding in our new growth markets, which are cities other than Beijing and Shanghai. At the end of 2019, 2020, 2021 and the first half of 2022, stores in our new growth markets represented approximately 33%, 39%, 43% and 44%, respectively, of our total stores. The high proportion of new stores and stores in new growth markets contributed to our net loss and adjusted net loss primarily because:

- *Sales in new stores and new growth markets remain in a ramp-up stage.* New stores typically have lower average daily sales per store compared to older stores during an initial ramp-up period. Similarly, stores in new growth markets typically have lower average daily sales per order compared to stores in Beijing and Shanghai. It takes time for these newer stores and new growth market stores to increase their sales to a level that approaches that of older stores and stores in Beijing and Shanghai. For example, stores opened in 2019 generated average daily sales per store of RMB7,415 in 2019, which was less than the group average of RMB10,292 in that year. However, by the first half of 2022, stores opened in 2019 had ramped up, and generated average daily sales per store of RMB11,062, which was similar to the group average of RMB11,462 in the same period. As we strategically accelerated the pace at which we opened new stores during the Track Record Period, we had a larger proportion of stores undergoing ramp-up, and our average daily sales per store was not as high as it would have been if we had opened stores at a slower pace and had a higher proportion of mature stores in our store network. For more information, including a tabular breakdown of average daily sales per store by store vintage and by market, see “Business – Our Domino’s Pizza Stores – The operating performance of our Domino’s Pizza stores – Key performance indicators – Average daily sales per store”.
- *New stores take time to achieve cash investment payback.* From a payback perspective, the majority of our stores have not been open for a long enough time to achieve cash investment payback. Our cash investment payback period has been improving, but as most of our new stores have been open for less than three years, they have not been open for long enough to achieve cash investment payback. As of June 30, 2022, approximately 9% of the stores opened during the Track Record Period had achieved cash investment payback. For more information, see “Business – Our Domino’s Pizza Stores – The operating performance of our Domino’s Pizza stores – Initial breakeven and Cash investment payback period of our stores”.
- *New stores have yet to cover their share of corporate-level expenses.* As new stores take time to ramp up sales and achieve cash investment payback as described above, it takes time for these stores to generate sufficient sales to cover their share of

FINANCIAL INFORMATION

corporate-level costs. Although our stores collectively generated sufficient sales to cover their store-level costs and expenses, as demonstrated by our positive and steadily improving Store EBITDA margin (non-IFRS measure) and store-level operating profit during the Track Record Period, the high proportion of new stores in our store network means our stores, on a collective basis, were not yet able to cover their corporate-level costs and expenses.

Corporate-level investments in support of a nationwide store network

During the Track Record Period, we made substantial investments at the corporate level to support the rapid growth of our business and store network such as investing in our talent pool for store development, regional store management and IT functions, as well as brand-building activities. We believe that these corporate-level investments bring benefits shared by all of our stores. However, because our store network has not yet reached the scale and maturity needed to fully cover our corporate-level investments, these investments contributed to our net loss and adjusted net loss (non-IFRS measure) during the Track Record Period.

The corporate-level investments we made in our business are primarily reflected in our corporate overhead, which amounted to RMB157.4 million, RMB213.0 million, RMB239.2 million and RMB124.8 million, representing 18.8%, 19.3%, 14.8% and 13.7% of our revenue, in 2019, 2020, 2021 and the first half of 2022, respectively. During the Track Record Period, the following four items accounted for substantially all of our corporate overhead:

- *Corporate-level cash compensation expenses.* Cash-based compensation expenses for our corporate-level full-time staff amounted to RMB79.3 million, RMB120.0 million, RMB150.0 million and RMB77.9 million, representing 50.4%, 56.3%, 62.7% and 62.4% of our total corporate overhead in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. The majority of these costs were incurred in connection with compensating our store development and regional store management staff and IT and technology staff.
- *Corporate-level depreciation and amortization.* These expenses amounted to RMB41.4 million, RMB45.0 million, RMB48.0 million and RMB25.1 million, representing 26.3%, 21.1%, 20.1% and 20.1% of our total corporate overhead in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Corporate-level depreciation and amortization primarily represents (i) the amortization arising from the revaluation of the Master Franchise Agreement in connection with our corporate restructuring in 2017, which amounted to RMB32.0 million in 2019 and 2020, RMB31.8 million in 2021, and RMB15.9 million in the six months ended June 30, 2022, and (ii) the amortization of certain IT-related investments in connection with the enhancement of our digital platform and overall enterprise-level operational efficiency.

FINANCIAL INFORMATION

- *Corporate-level advertising and promotion expenses.* These expenses amounted to RMB2.9 million, RM9.0 million, RMB14.5 million and RMB4.6 million, representing 1.9%, 4.2%, 6.1% and 3.7% of our total corporate overhead in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We incurred these expenses primarily in connection with marketing and promoting our brand, as well as additional marketing activities that we undertook as we entered new markets.
- *Corporate-level other expenses.* These expenses amounted to RMB29.0 million, RMB34.2 million, RMB21.6 million and RMB14.8 million, representing 18.4%, 16.1%, 9.0%, and 11.8% of our total corporate overhead, in 2019, 2020, 2021 and the first half of 2022, respectively. The main components of our corporate-level other expenses were (i) recruitment fees, which we paid to recruitment agencies to help us hire talents to support our rapid growth, (ii) marketing survey expenses, which we incurred by engaging market research firms to conduct market surveys to enable us to better understand our brand and our market, and (iii) travelling expenses, which we incurred primarily for our store development team’s travel to onsite locations in support of store openings. See “Financial information Major components of our results of operations – Other expenses”.

During the Track Record Period, although our corporate overhead decreased as a percentage of our revenue, it increased in absolute amounts along with the growth of our store network. The increase in the absolute amount of our corporate overhead was mainly attributable to the increase in corporate-level cash-based staff compensation expenses and advertising and promotion expenses.

Cash-based compensation expenses for our corporate-level full-time staff increased in absolute amounts during the Track Record Period primarily because we were investing in our human capital to lay the foundations for a nationwide store network. As a result, we increased the headcount and/or compensation of our corporate-level staff, including (i) store development and regional store management staff to enable us to open and operate more stores, (ii) sales and marketing staff to build our brand, (iii) IT and technology staff to develop and support our online channels and backend infrastructure and (iv) general administration, management and other staff to support our significantly larger operations. The increase in absolute amounts was also attributable to merit-based salary increases. In the future, we expect our cash-based corporate-level staff compensation expenses to increase in absolute amounts but decrease as a percentage of revenue as the number of stores increases, which will enable us to realize economies of scale.

Our corporate-level advertising and promotion expenses increased in absolute amounts during the Track Record Period primarily because of our brand-building activities, particularly in new cities. In the future, we expect our corporate-level advertising and promotion expenses to increase in absolute amounts but decrease as a percentage of revenue as the number of stores increases, which will enable us to realize economies of scale and strengthen our brand organically.

For more information about how we will control our corporate-level costs in the future, see “– Our path to profitability – Reduce corporate-level costs and expenses as a percentage of revenue by realizing economies of scale” below.

FINANCIAL INFORMATION

Our path to profitability

During the Track Record Period, we (i) increased our scale by opening new stores and entering new cities, (ii) maintained our store-level profitability, as demonstrated by our store-level operating profit and positive Store EBITDA (non-IFRS measure), and (iii) improved our group-level adjusted EBITDA (non-IFRS measure), which turned positive in 2021.

We plan to improve our group-level bottom-line profitability by driving revenues while reducing our costs and expenses. To that end, we will primarily pursue four key strategies: we will drive revenues by (i) increasing our revenue per store and (ii) increasing the total number of our stores; at the same time, we will reduce costs and expenses by (iii) continuing to control store-level costs and expenses and (iv) reducing our corporate costs as a percentage of revenue by realizing economies of scale. Assuming the successful execution of these strategies, we expect our group-level bottom-line profitability will improve as we realize greater economies of scale in the future.

Drive revenue growth by increasing revenue per store

We believe that, as we continue to build our brand, enhance our technology, refine our menu and strengthen our delivery leadership, there will be four core drivers of continued growth in average daily sales per store, each of which is supported by historical trends:

- *Newer stores will continue to ramp up their sales.* Historically, our new stores have a track record of ramping up their average daily sales per store after opening. Stores opened in 2019, 2020 and 2021 all achieved aggregate increases in their average daily sales per store over the Track Record Period. For example, stores in 2019 increased average daily sales from RMB7,415 in 2019 to RMB9,203 in 2021, before further increasing to RMB11,062 for the first half of 2022. Given the high proportion of new stores in our store network, we expect that our stores will continue to ramp-up their average daily sales per store.
- *Older stores will continue to increase sales.* In addition to the ramp-up of newer stores, we believe older stores will also increase their average daily sales per store. For example, stores opened before 2019 saw their average daily sales per store increase from RMB10,857 in 2019 to RMB13,844 in 2021, before further increasing to RMB15,277 in the first half of 2022, with similar trends for stores of other vintages. We believe that, as we continue to pursue our menu innovation, active marketing and trade-up strategies, older stores will continue to increase their sales.
- *Stores in new growth markets ramp up faster than in Beijing and Shanghai.* The ramp-up of stores in our new growth markets has historically been faster than in Beijing and Shanghai. For example, from 2019 to 2021, stores opened in 2019 in Beijing and Shanghai increased their average daily sales per store at a CAGR of 9.1%, while stores opened in 2019 in our new growth markets increased their

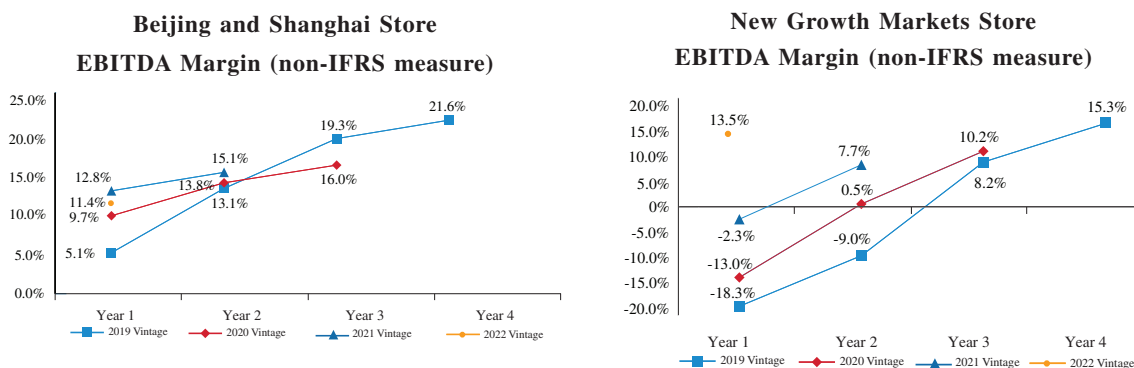
FINANCIAL INFORMATION

average daily sales per store at a CAGR of 16.5%. Similar trends apply to stores of other vintages. As we expect to expand quicker in our new growth markets, we expect our stores in such markets to drive our overall average daily sales per store.

- *Sales in new growth markets are catching up to Beijing and Shanghai.* Average daily sales per store in our new growth markets are approaching the levels of our stores in Beijing and Shanghai across stores of all vintages. This trend has accelerated over time. For example, for stores opened in 2022, average daily sales per store in our new growth markets was similar to that in Beijing and Shanghai. As our brand awareness in new growth markets grows, we expect this trend to continue in the future.

For more information about average daily sales per store, including breakdowns by store vintage and market, see “Business – Our Domino’s Pizza Stores – The operating performance of our Domino’s Pizza stores – Key performance indicators – Average daily sales per store”.

As average daily sales per store ramps up, we expect that our cash investment payback period will shorten. Our typical cash investment payback period shortened during the Track Record Period across all of our markets. The average 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. Similarly, as average daily sales per store ramps up, we expect that our Store EBITDA margin (non-IFRS measure) will continue to improve, particularly in our new growth markets and for our new stores. To illustrate, the figures below show our Store EBITDA margin (non-IFRS measure) by market and by store vintage during the Track Record Period:



Note: Store EBITDA is a non-IFRS measure that we use to evaluate store performance. Store EBITDA margin is a financial ratio calculated using Store EBITDA, and Store EBITDA margin for a given market and a given store vintage is calculated using Store EBITDA for that market without deducting certain unallocated costs. For more information, including for a reconciliation of Store EBITDA to store-level operating profit, a comparable IFRS measure, see “Financial information – Non-IFRS measures” and “Financial information – Key financial ratios”.

FINANCIAL INFORMATION

The chart above demonstrates that, historically, the first year Store EBITDA margin (non-IFRS measure) of our stores has improved year-on-year. Additionally, in our new growth markets, our Store EBITDA margin (non-IFRS measure) was initially negative, which contributed to our net loss and adjusted net loss (non-IFRS measure) during the Track Record Period. However, the Store EBITDA margin (non-IFRS measure) of our new growth markets is improving. For example, stores opened in 2019 have already achieved positive Store EBITDA margin (non-IFRS measure) in 2021, which is the third year of their operations, and this trend is accelerating. We expect that as our average daily sales per store continues to ramp up, our store-level profitability will improve across the board.

Drive revenue by increasing the number of stores

In addition to continually growing sales at our existing stores and in our existing markets, we plan to continue to open new stores in existing markets and explore opportunities to enter more new markets. We plan to open 120 and 180 new stores in 2022 and 2023 primarily in Tier 1, New Tier 1 and Tier 2 cities with proximity to our three existing central kitchens located in Northern China, Eastern China and Southern China and also any new central kitchens to be established. Given the vast number of potential store locations in China, we expect we will continue to open new stores at a rapid pace in 2024 and 2025.

We believe, based on market analyses, that our store expansion is supported by sufficient customer demand. The China pizza market is expected to grow at a CAGR of 13.6% from 2021 to 2026, and the pizza delivery segment is expected to grow at a CAGR of 19.9% in the same period. The China pizza market also remains underserved, with just 10.9 pizza stores per million people, as compared to 28.1 and 28.3 stores per million people in Japan and South Korea, respectively. We believe we are well-positioned to capture a significant portion of this growth given our global image as a pizza expert, together with our expertise and positioning in delivery. Historically, we have a track record of capturing a significant share of the growth in the China pizza market, having more than doubled our market share from 2017 to 2021. Additionally, we have grown faster than the overall market during the Track Record Period. Our revenues grew 32.0% in 2020 and 45.9% in 2021, while the overall pizza market contracted by 8% in 2020 and grew by 19.3% in 2021.

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 79 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 41 stores. We expect to meet our store opening target for 2022.

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

FINANCIAL INFORMATION

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 is testament to our ability to identify opportunities in new markets for new stores as we implement our store expansion plan.

By opening more stores, we expect to further strengthen our brand awareness, increase the penetration of delivery and carryout services and further drive sales growth, thereby further increasing our revenue. 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.

For details about our planned store network expansion, see “Business – Our growth strategies – Rapidly increase the number of our stores”, “Business – Our Domino’s Pizza stores – Our Domino’s Pizza store network – Growth of our store network” and “Future plans and use of [REDACTED]”.

Control store-level costs and expenses

Because we successfully increased our revenue while controlling store-level costs, we were already profitable at the store level during the Track Record Period. Store-level operating profit for our stores was RMB36.4 million and RMB44.7 million, RMB148.6 million and RMB83.3 million, representing store-level operating profit margin of 4.4%, 4.0%, 9.2% and 9.2% in 2019, 2020, 2021 and the first half of 2022. In the same periods, our Store EBITDA margin (non-IFRS measure) was 10.6%, 10.6%, 15.0%, and 15.2%, respectively. To maintain our store-level profitability, in addition to increasing revenue per store (as discussed above), we intend to control our store-level costs and expenses, which generally remained flat as a percentage of revenue during the Track Record Period. In particular, we intend to control the following costs:

- *Store-level staff compensation expense.* We arrange store-level staff for each store based on the store’s sales volume to ensure the normal operations of our stores. With the growth in the number of stores we operated during the Track Record Period, the number of our store-level staff increased commensurately. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, store-level salary-based expense was RMB247.6 million, RMB316.0 million, RMB462.6 million, RMB217.9 million and RMB262.3 million, respectively, representing 29.6%, 28.6%, 28.7%, 28.4% and 28.9% of our total revenue in the same periods, respectively, despite a general increase in labor costs in China. During the Track Record Period, we directly operated 268, 363, 468 and 508 stores in 2019, 2020, 2021 and June 30, 2022, respectively. Our sales order volume experienced continual increase along with our store expansion, which together drove the rise of our store-level salary-based expense during the Track Record Period. We plan to closely monitor the staffing at our stores and strive to achieve operational efficiency through improving our technology.

FINANCIAL INFORMATION

- *Rental expenses.* During the Track Record Period, our store-level rental expenses, which include depreciation of right-of-use assets and variable lease rental payment, short-term rental and other related expenses, as a percentage of total revenue in the respective period were 12.6% in 2019, 12.4% in 2020, 11.2% in 2021, 11.1% for the six months ended June 30, 2021 and 11.6% for the six months ended June 30, 2022. The decrease in our rental expenses as a percentage of total revenue from 2019 to 2021 was mainly due to the strong growth of our revenue and our strengthened negotiating power to negotiate more favorable lease terms as we enhanced our brand recognition. With a growing network of our stores in the future, we expect the rental expenses as a percentage of revenue to further decrease as our continued nationwide growth and strengthening brand will enhance our bargaining power in lease negotiations, which will enable us to secure lower rents and further optimize our lease term structures.
- *Raw materials and consumables cost.* During the Track Record Period, our raw materials and consumables cost, represented 27.3%, 28.1%, 26.4%, 26.6% and 27.2% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively. The fluctuation in raw materials and consumables cost was in line with our revenue growth. As we continue to increase the scale of our operations, we believe that we will be able to effectively control our raw materials and consumables cost as a percentage of revenue by implementing the following measures: (i) strengthening our relationship with quality suppliers to secure competitive pricing of raw materials and consumables; (ii) leveraging centralized procurement and strong brand recognition to increase bargaining power over suppliers of raw materials and consumables, thereby optimizing procurement costs; (iii) upgrading our ERP system to ensure our inventory is accurately assessed and procurement effort is matched to the actual needs of our stores; and (iv) constantly monitoring the market prices of raw materials and strategically optimize inventory levels and procurement cost through bulk orders or prepayments.

Reduce corporate-level costs and expenses as a percentage of revenue by realizing economies of scale

As our business continues to grow, we expect to realize economies of scale and reduce corporate-level costs and expenses as a percentage of revenue to attain group-level, bottom-line profitability. During the Track Record Period, we made substantial investments at the corporate level, including by hiring more staff to support the expansion of our store network and developing our IT infrastructure. These corporate-level investments enabled us, among others, to (i) accelerate the pace at which we open new stores and enter new markets, (ii) develop and enhance our own online channels, and (iii) strengthen our brand across all of our markets.

FINANCIAL INFORMATION

In the future, as our business continues to mature, we expect to make corporate-level investments at a more moderate pace. As a result, our corporate overhead will decrease as a percentage of revenue, as shown by the trend during the Track Record Period, with our corporate overhead decreasing from 18.8% of revenue in 2019 to 14.8% in 2021, and further to 13.7% in the first half of 2022. In particular, we will control the four key components of our corporate overhead as follows.

Corporate-level staff compensation expenses

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our corporate-level cash-based compensation expense was RMB79.3 million, RMB120.0 million, RMB150.0 million, RMB74.0 million and RMB77.9 million, respectively, representing 9.5%, 10.9%, 9.3%, 9.6% and 8.6% of our total revenue in the same periods, respectively. Our corporate-level cash-based compensation expense primarily represents salaries paid to our corporate-level store development operations staff, IT and technology staff, sales and marketing staff and general administration, management and other staff. We expect that this expense will decrease as a percentage of revenue as our business matures. In particular, we expect that, as the number of stores increases, the earnings generated by those stores will be more than sufficient to cover the costs of our corporate-level staff. For example, we expect that the cash-based staff compensation expense for our store development and regional store management staff and our IT and technology staff, which accounted for a majority of our corporate-level cash-based compensation expense during the Track Record Period, will grow at a slower pace than revenue for the reasons set out below.

During the Track Record Period, the corporate-level cash-based expense for store development and regional store management staff represented 4.4%, 4.2%, 3.6%, 3.7% and 3.5% of our total revenue in 2019, 2020, 2021 and the first half of 2021 and 2022, respectively. These expenses are linked to the number of stores that we open and operate, and we expect that they will increase in absolute amounts as we open more stores in the future. However, we also expect that these costs will decrease as a percentage of revenue in the future. Historically, after most of our current core executive management team joined our Company in 2018, we made a strategic decision to accelerate the pace at which we open stores. As a result, we opened an increasing number of new stores in each year of the Track Record Period, having opened 83 stores in 2019, 98 stores in 2020, 108 stores in the first half of 2022. To support this accelerated pace of store openings, we increased the number of store development and regional store management staff commensurately. In the near future, we plan to increase the number of stores that we open in each year. However, the rate of this increase is expected to moderate as we approach a nationwide scale. When that happens, we expect that our hiring of such staff will moderate in the future. Moreover, we expect operational efficiencies to be realized as our store density increases, which will enable each regional operational manager to oversee more stores. This in turn will enable our corporate-level staff compensation costs to decrease a percentage of revenue.

Our corporate-level compensation expenses relating to our IT and technology staff represented 3.5%, 4.9%, 3.7%, 4.0% and 3.1% of our total revenue in 2019, 2020, 2021 and the first half of 2021 and 2022, respectively. The increase in 2020 was primarily because we significantly enlarged our IT team in 2020 in connection with developing our proprietary app

FINANCIAL INFORMATION

and website and CDP. This enlarged IT team successfully enhanced our IT infrastructure, enabling us to improve the user experience. Now that we have successfully developed and deployed a set of core technologies, we expect our need for IT and technology staff and the related cash-based staff compensation expense will increase incrementally in absolute amounts and continue to decrease as a percentage of revenue in the future, which would enable our corporate-level staff compensation costs to decrease as a percentage of revenue.

Corporate-level depreciation and amortization

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our corporate-level depreciation and amortization was RMB41.4 million, RMB45.0 million, RMB48.0 million, RMB23.4 million and RMB25.1 million, respectively, representing 5.0%, 4.1%, 3.0%, 3.0% and 2.8% of our total revenue in the same periods, respectively. Our corporate-level depreciation and amortization has been consistently decreasing as a percentage of revenue over the Track Record Period. We expect this to continue in the future, as the majority of our corporate-level depreciation and amortization consists of the amortization arising from the revaluation of our Master Franchise Agreement, which is relatively fixed, and which amounted to RMB32.0 million in 2019 and 2020, RMB31.8 million in 2021, and RMB15.9 million in the six months ended June 30, 2021 and 2022, respectively. Other than the amortization of the Master Franchise Agreement, our corporate-level depreciation and amortization primarily includes (i) the depreciation of leasehold improvement, office furniture and electronic equipment incurred in our offices, which we expect to remain relatively stable in the future, as well as (ii) the amortization of our acquired software, self-developed website and app, which we expect to remain relatively fixed in the future. We therefore expect that our corporate-level depreciation and amortization will remain stable in absolute terms in the future, and will continue to decrease as a percentage of revenue.

Corporate-level other expenses

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our corporate-level other expenses amounted to RMB29.0 million, RMB34.2 million, RMB21.6 million, RMB9.4 million and RMB14.8 million, representing 3.5%, 3.1%, 1.3%, 1.2% and 1.6% of our revenue in the same periods, respectively. We expect that corporate-level other expenses will grow more moderately than revenues, primarily because the key components of corporate-level other expenses, namely recruitment fees, travelling expenses and market survey fees, are relatively fixed compared to our revenue.

Corporate-level advertising and promotion expenses

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our corporate-level advertising and promotion expenses was RMB2.9 million, RMB9.0 million, RMB14.5 million, RMB8.6 million and RMB4.6 million, respectively, representing 0.4%, 0.8%, 0.9%, 1.1% and 0.5% of our total revenue in the same periods, respectively. Although

FINANCIAL INFORMATION

historically these expenses increased as a percentage of revenue, driven by our entry into new markets, we expect our corporate-level advertising and promotion expenses to decrease as a percentage of revenue as our brand strengthens organically through the growth of our store network.

Corporate-level finance costs

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our corporate-level finance costs amounted to RMB46.6 million, RMB34.8 million, RMB62.3 million, RMB31.5 million and RMB35.9 million, respectively, representing 5.6%, 3.2%, 3.9%, 4.1% and 4.0% of our revenue in the same periods, respectively. During the Track Record Period, our corporate-level finance costs primarily represented the interest expense incurred in connection with our (i) lease liabilities and (ii) borrowings drawn upon the RMB210.0 million bank facility that we entered into in October 2019, which had an effective interest rate of between 6.2571% and 6.9825% during the Track Record Period. We expect that our corporate-level finance costs will grow more moderately than revenue in the future, primarily because (i) as our sales ramp up, the interest expense from lease liabilities, which are largely correlated with our store numbers, will decrease as a percentage of revenue, and (ii) in March 2022, we replaced the bank facility we entered into in October 2019 with a new RMB200 million bank facility with a lower effective interest rate of 4.8500% and a three-year term. We also expect that, as we continue to scale up in size, we will have more negotiating power to achieve better borrowing terms with banks.

Our profitability outlook

Upon the successful implementation of the foregoing measures, we believe we are well-positioned to achieve sustainable profitability in the future. We anticipate that, in three to five years, we will have a sufficient number of ramped-up stores to generate the sales needed to cover our corporate overhead and depreciation and amortization expenses arising from the opening of new stores. Our expectation is based on the forecasted pace of our store openings, increase in per-store and aggregate revenue, and reduction of our costs and expenses as a percentage of revenue.

Notwithstanding the foregoing, we expect to remain loss-making for at least another three years. Our net losses may increase in absolute amounts in 2022 as compared to 2021 primarily due to (i) our continued geographical expansion into new cities where our profitability tends to be lower due to the lack of strong brand awareness and the impact of capital expenditures related to store openings, and (ii) our continued corporate-level investments in support of a nationwide store network, including with respect to our talent pool for store development, regional store management and IT functions, as well as our brand-building activities. In the longer-term, our future profitability is uncertain and subject to various factors, including our ability to continue to effectively expand our nationwide store network and grow revenues in a cost-effective way and to execute on the strategies described above.

FINANCIAL INFORMATION

Our net current liabilities position

During the Track Record Period, we recorded net current liabilities of RMB209.6 million, RMB202.5 million, RMB65.0 million and RMB64.1 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Each of these net current liabilities positions was primarily the result of our store expansion during the Track Record Period, during which we primarily used our cash generated from operating activities, proceeds from our pre-[REDACTED] investors and borrowings to finance the capital expenditure of such expansion, which mostly translated into non-current assets. Our non-current assets mainly included right-of-use assets, leasehold improvements, machinery and equipment, motor vehicles and intangible assets. As of December 31, 2019, 2020, 2021 and June 30, 2022, the percentage of non-current assets to total assets were approximately 92.7%, 85.8%, 75.2% and 78.0%. As of August 31, 2022, we had net current liabilities of RMB84.3 million.

We believe that our net current liabilities position will improve with net cash inflows generated from operating activities once our newly opened stores begin to generate a profit and with the net [REDACTED] from the [REDACTED]. We plan to continue to improve our net current liabilities position by improving our economies of scale as our store network continues to grow. During the Track Record Period, the Group witnessed sustained improvement in its net current liabilities position. Between December 31, 2020 and December 31, 2021, net current liabilities decreased significantly from RMB202.5 million to RMB65.0 million before further decreasing to RMB64.1 million as of June 30, 2022, primarily as a result of (i) an increase in cash and cash equivalents as a result of fundraising from our Pre-[REDACTED] Investors in 2021, and (ii) the net cash generated from operating activities in 2021 and the six months ended June 30, 2022. Our net current liabilities position could also improve through the use of our unutilized banking facilities when needed, which facilities amounted to RMB100.0 million as of June 30, 2022, with a term of three years from the first drawdown. Assuming we complete the [REDACTED] in 2022, we believe we will no longer have a net current liabilities position by December 31, 2022. However, we may again have a net current liabilities position if our profitability deteriorates after the [REDACTED].

Liquidity and working capital

As of June 30, 2022, we had cash and cash equivalents of RMB576.9 million. Taking into account our cash on hand, cash generated from operating activities, available banking facility and the estimated net [REDACTED] we expect to receive from the [REDACTED], our Directors are of the view that we will have sufficient working capital to meet our present requirements and for at least the next twelve months from the date of this document.

In the worst-case scenario, under which we are not able to become profitable in the foreseeable future because our new stores take longer than expected to ramp up, we will pause the opening of new stores and only focus on ramping up existing stores. For the year ended December 31, 2021 and the six months ended June 30, 2022, we had a positive net cash inflow from our operating activities (the net cash generated from operating activities less lease-related cash outflow from financing activities (cash outflow from payment of the principal and interest

FINANCIAL INFORMATION

elements of lease liabilities)) of RMB136.4 million and RMB70.7 million respectively, which were primarily driven by revenue growth and enhanced store-level profitability during the period as we continued to expand our store network.

In addition, in the extreme scenario where we have to completely suspend all of our business operations and hence do not generate any revenue after June 30, 2022 due to unforeseeable circumstances or force majeure events and assuming, without taking into account any additional financial resources that we may obtain after the [REDACTED], that we:

- cease all operations from July 1, 2022 onward, which assumes that from July 1, 2022 onward, we will not earn or incur (a) any revenue and costs in relation to store operations and maintenance, (b) any expenses in relation to advertising and promotion, and (c) any expenses in relation to the central kitchen;
- do not open any new stores and hence do not incur any capital expenditure and rental expenses for new stores;
- keep all the existing stores, office and central kitchen and settle lease payments when they fall due;
- do not lay off any of our employees or reduce their salaries, and make all their salaries payments;
- continue to make payment of all interest expenses when they fall due;
- settle all of our outstanding trade payables as of June 30, 2022;
- receive the settlement of all of our trade receivables as of June 30, 2022 by taking into account our historical settlement patterns;
- sell all of our inventories as of June 30, 2022 at a 25% discount;
- use [REDACTED] of the net [REDACTED] from the [REDACTED] as our working capital based on the mid-point of the [REDACTED]; and
- use our unutilized banking facilities when needed, which facilities were RMB100.0 million as of June 30, 2020,

we would have sufficient cashflow for our business to remain financially viable for at least twelve months ending June 30, 2023. The abovementioned analysis is for illustrative purposes only and our Directors estimate that the likelihood of such a situation occurring is extremely remote.

FINANCIAL INFORMATION

Conclusion

Based on the foregoing, and taking into account our existing profitability in Beijing and Shanghai, our improving profitability in our new growth markets, our results of operations and cash flows, our Directors believe that our Group has a sustainable business.

Taking into account the foregoing, the view of the Directors, and the due diligence work conducted by the Sole Sponsor including but not limited to (i) reviewing the Accountant’s Report set out in Appendix I to this document, (ii) the financial due diligence conducted on the historical financial information of the Group during the Track Record Period and discussions with the Company’s management, (iii) discussions with the Company’s management and the industry consultant regarding the China pizza market, (iv) written confirmation provided by the Company in respect of working capital sufficiency and (v) discussions with the Company’s management regarding the expansion plan of the Group, nothing has come to the Sole Sponsor’s attention that would cause the Sole Sponsor to question with the reasonableness of the Directors’ view that the Group has a sustainable business.

The foregoing forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. For related risks, see “Risk factors – Risks related 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”, “Risk factors – Risks related to our business and industry – Opening new stores could adversely affect our financial condition” and “Risk factors – Risks related to our business and industry – We incurred net losses during the Track Record Period and may not be able to maintain or increase the sales volume of our existing stores, control our costs and expenses and achieve or maintain profitability in the future”.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended June 30, 2022 compared to six months ended June 30, 2021

Revenue

Our revenue 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, mainly attributable to (a) the increase in average daily sales per store in both Beijing and Shanghai, where we have a longer operating history, and our new growth markets, to which we have recently expanded, and (b) the growth in the number of new stores, which increased from 415 as of June 30, 2021 to 508 as of June 30, 2022. Our total sales in Beijing and Shanghai grew 4.6% from RMB554.1 million for the six months ended June 30, 2021 to RMB579.8 million for the six months ended June 30, 2022 and contributed 63.8% of our total revenue for the six months ended June 30,

FINANCIAL INFORMATION

2022, while our total sales in our new growth markets grew 54.8% from RMB212.5 million for the six months ended June 30, 2021 to RMB329.0 million for the six months ended June 30, 2022 and contributed 36.2% of our total revenue for the six months ended June 30, 2022.

In Beijing and Shanghai, revenues increased 4.6% from RMB554.1 million for the six months ended June 30, 2021 to RMB579.8 million for the six months ended June 30, 2022, which was mainly driven by a 7.8% increase in average daily sales per store, coupled with an increasing number of stores in operation as we added 34 new stores in these two cities from June 30, 2021 to June 30, 2022. In addition, the growth of revenues generated from stores in Beijing and Shanghai for the first half of 2022 was adversely impacted by COVID-19, as some of our stores located in the two cities were temporarily closed in compliance with local government policies.

In our new growth markets, revenues increased 54.8% from RMB212.5 million for the six months ended June 30, 2021 to RMB329.0 million for the six months ended June 30, 2022, which was mainly driven by a 14.3% increase in average daily sales per store, primarily attributable to increases in both average orders per store per day, which grew from 91 for the six months ended June 30, 2021 to 100 for the six months ended June 30, 2022, and average sales value per order, which grew from RMB83.6 for the six months ended June 30, 2021 to RMB87.2 for the six months ended June 30, 2022. This was coupled with an increasing number of stores in operation as we added 59 new stores to our new growth markets from June 30, 2021 to June 30, 2022.

Underlying our revenue growth was our continued menu innovations, timely delivery, excellent product taste and improved brand recognition, which enabled us to achieve SSSG of 13.9% across all markets, SSSG of 10.7% in Beijing and Shanghai, and SSSG of 22.1% in our new growth markets during the period.

Raw materials and consumables cost

Our raw materials and consumables cost increased by 21.4% from RMB203.6 million for the six months ended June 30, 2021 to RMB247.2 million for the six months ended June 30, 2022, which is in line with our revenue growth. Our raw materials and consumables cost as a percentage of revenue remained relatively stable during the period.

Staff compensation expense

Our staff compensation expense slightly decreased from RMB342.6 million for the six months ended June 30, 2021 to RMB336.9 million for the six months ended June 30, 2022, primarily due to a decrease in share-based compensation, partially offset by (a) the overall merit-based increase in salary and (b) the expansion of our store network which led to an increased level of staffing. The decrease in share-based compensation was mainly driven by the cancellation of SAR awards of our executives in part and in full during these two periods respectively, which resulted in a one-off reversal of the corresponding accumulated share-based compensation provided since its inception. The value of the SAR awards has grown

FINANCIAL INFORMATION

significantly since they were granted in line with the value appreciation of our business. Excluding the share-based compensation, our staff compensation expense as a percentage of revenue decreased as our revenue continued to ramp up.

Depreciation of right-of-use assets

Our depreciation of right-of-use assets increased by 18.8% from RMB76.6 million for the six months ended June 30, 2021 to RMB91.0 million for the six months ended June 30, 2022, mainly attributable to the expansion of our store network. Our depreciation of right-of-use assets as a percentage of total revenue remained stable during the same period.

Depreciation of plant and equipment

Our depreciation of plant and equipment increased by 20.9% from RMB46.9 million for the six months ended June 30, 2021 to RMB56.7 million for the six months ended June 30, 2022, which was primarily due to increased equipment needs in conjunction with the expansion of our store network. Our depreciation of plant and equipment as a percentage of total revenue remained relatively stable during the same period.

Amortization of intangible assets

Our amortization of intangible assets increased by 12.6% from RMB20.8 million for the six months ended June 30, 2021 to RMB23.5 million for the six months ended June 30, 2022. The increase was primarily driven by the license costs of software and website. Our amortization of intangible assets as a percentage of total revenue remained relatively stable during the same period.

Utilities expenses

Our utilities expenses increased by 10.6% from RMB33.7 million for the six months ended June 30, 2021 to RMB37.3 million for the six months ended June 30, 2022, which was mainly attributable to the expansion of our store network which demands additional usage of utilities. Our utilities expenses as a percentage of total revenue remained relatively stable for the same period.

Advertising and promotion expenses

Our advertising and promotion expenses decreased by 9.6% from RMB59.6 million for the six months ended June 30, 2021 to RMB53.9 million for the six months ended June 30, 2022. The decrease was mainly driven by the reduced effort in advertising and promotion in Shanghai as the city was subject to lockdown and travel restrictions imposed by local governments from time to time to contain the spread of COVID-19 in the first half of 2022. Our advertising and promotion expenses as a percentage of total revenue decreased from 7.8% for the six months ended June 30, 2021 to 5.9% for the six months ended June 30, 2022 for the same reason.

FINANCIAL INFORMATION

Store operation and maintenance expenses

Our store operation and maintenance expenses increased by 19.6% from RMB48.2 million for the six months ended June 30, 2021 to RMB57.7 million for the six months ended June 30, 2022. The increase in store operation and maintenance expenses was mainly due to the expansion of our store network. Our store operation and maintenance expenses as a percentage of total revenue remained relatively stable for the same period.

Variable lease rental payment, short-term rental and other related expenses

Our variable lease rental payment, short-term rental and other related expenses increased by 63.6% from RMB8.7 million for the six months ended June 30, 2021 to RMB14.2 million for the six months ended June 30, 2022. The increase was mainly driven by the expansion of our store network. Our variable lease rental payment, short-term rental and other related expenses as a percentage of total revenue remained relatively stable for the same period.

Other expenses

Our other expenses increased by 105.6% from RMB22.0 million for the six months ended June 30, 2021 to RMB45.2 million for the six months ended June 30, 2022, primarily due to the [REDACTED] expenses in conjunction with the [REDACTED]. Our other expenses as a percentage of total revenue increased from 2.9% for the six months ended June 30, 2021 to 5.0% for the six months ended June 30, 2022 primarily for the same reason.

Fair value change of financial liabilities at fair value through profit or loss

The fair value change of financial liabilities at fair value through profit or loss decreased from RMB83.4 million for the six months ended June 30, 2021 to RMB1.1 million for the six months ended June 30, 2022. The fair value change of financial liabilities at fair value through profit or loss during the first half of 2021 was mainly the result of an increased balance of convertible senior ordinary shares as we received additional investments from Domino’s Pizza LLC during the first half of 2021, coupled with a significant appreciation in the value of our business in light of our rapid store expansion and revenue growth. In comparison, the fair value change of financial liabilities at fair value through profit or loss for the first half of 2022 was primarily driven by the facts that (a) there was no addition to the balance of the convertible senior ordinary share and (b) the appreciation in the value of our business was limited against the backdrop of COVID-19 and relevant government measures during the first half of 2022.

FINANCIAL INFORMATION

Other income

Other income increased by 534.6% from RMB3.1 million for the six months ended June 30, 2021 to RMB19.9 million for the six months ended June 30, 2022. The increase was mainly due to our receipt of tax subsidies related to COVID-19 for the first half of 2022, which are one-off in nature. Other income as a percentage of total revenue increased from 0.4% for the six months ended June 30, 2021 to 2.2% for the six months ended June 30, 2022 for the same reason.

Other (losses)/gain net

Other (losses)/gain net changed from a gain of RMB3.2 million for the six months ended June 30, 2021 to a loss of RMB1.6 million for the six months ended June 30, 2022, primarily driven by the gain on termination of lease contracts in connection with the reallocation of stores in 2021 and the increase in loss on disposal of plant and equipment due to store closures in the first half of 2022. Other (losses)/gain, net as a percentage of total revenue were positive 0.4% and negative 0.2% for the six months ended June 30, 2021 and 2022, respectively, for the same reason.

Finance costs, net

Our finance costs, net increased by 17.8% from RMB40.9 million for the six months ended June 30, 2021 to RMB48.2 million for the six months ended June 30, 2022, mainly attributable to the accelerated recognition of guarantee fee for bank borrowing which we repaid early in March 2022 and replaced with a bank facility with lower interest rates and no other associated costs. Our finance costs, net as a percentage of total revenue remained relatively stable for the same period.

Loss before income tax

Primarily driven by the foregoing, our loss before income tax decreased by 60.0% from RMB214.1 million for the six months ended June 30, 2021 to RMB85.7 million for the six months ended June 30, 2022.

Income tax (expense)/credit

Our income tax (expense)/credit fluctuated from an income tax credit of RMB8.9 million for the six months ended June 30, 2021 to an income tax expense of RMB9.7 million for the six months ended June 30, 2022, which was primarily due to income tax expenses incurred at certain subsidiaries which generated more taxable income.

FINANCIAL INFORMATION

Loss for the year attributable to owners of the Company

As a result of the foregoing, our loss for the year attributable to owners of the Company decreased by 53.5% from RMB205.2 million for the six months ended June 30, 2021 to RMB95.5 million for the six months ended June 30, 2022.

Year ended December 31, 2021 compared to year ended December 31, 2020

Revenue

Our revenue increased by 45.9% from RMB1.1 billion in 2020 to RMB1.6 billion in 2021, mainly attributable to (a) the increase in average daily sales per store in both Beijing and Shanghai, where we have a longer operating history, and our new growth markets, to which we have recently expanded, and (b) the growth in the number of new stores, which increased from 363 as of December 31, 2020 to 468 as of December 31, 2021. Our total sales in Beijing and Shanghai grew 32% from 2020 to 2021 and contributed 71.2% of our total revenue in 2021, while our total sales in our new growth markets grew 97.7% from 2020 to 2021 and contributed 28.8% of our total revenue in 2021.

In Beijing and Shanghai, revenues increased 32.0% from RMB0.9 billion in 2020 to RMB1.1 billion in 2021, which was mainly driven by a 5.4% increase in average daily sales per store, coupled with an increasing number of stores in operation as we added 46 new stores in these two cities.

In our new growth markets, revenues increased 97.7% from RMB0.2 billion in 2020 to RMB0.5 billion in 2021, which was mainly driven by a 26.9% increase in average daily sales per store, primarily attributable to increases in both average orders per store per day, which grew from 75 in 2020 to 89 in 2021, and average sales value per order, which grew from RMB80.0 in 2020 to RMB85.6 in 2021. This was coupled with an increasing number of stores in operation as we added 59 new stores to our new growth markets in 2021.

Underlying our revenue growth was our continued menu innovations, timely delivery, excellent product taste and improved brand recognition, which enabled us to achieve SSSG of 18.7% across all markets, SSSG of 14.2% in Beijing and Shanghai, and SSSG of 37.7% in our new growth markets during the period.

Raw materials and consumables cost

Our raw materials and consumables cost increased by 37.1% from RMB310.5 million in 2020 to RMB425.6 million in 2021, which is in line with our revenue growth. Our raw materials and consumables cost as a percentage of revenue decreased from 28.1% to 26.4%. The slight percentage decrease was primarily due of a better planned and negotiated procurement of certain raw materials such as cheese in 2021.

FINANCIAL INFORMATION

Staff compensation expense

Our staff compensation expense increased by 49.9% from RMB469.2 million in 2020 to RMB703.5 million in 2021, primarily due to (a) the overall merit-based increase in salary, (b) the expansion of our store network which led to an increased level of staffing and (c) the increase in share-based compensation recognized primarily resulting from the increase in total equity value of our Group during the period. Our staff compensation expense as a percentage of revenue increased from 42.5% to 43.7% for the same reasons.

Depreciation of right-of-use assets

Our depreciation of right-of-use assets increased by 26.2% from RMB128.4 million in 2020 to RMB162.0 million in 2021, mainly attributable to the expansion of our store network. Our depreciation of right-of-use assets as a percentage of total revenue decreased from 11.6% in 2020 to 10.1% in 2021, mainly due to the strong growth of our revenue and our strengthened negotiating power to negotiate more favorable lease terms as we enhanced our brand recognition.

Depreciation of plant and equipment

Our depreciation of plant and equipment increased by 28.2% from RMB76.9 million in 2020 to RMB98.7 million in 2021, which was primarily due to increased equipment needs in conjunction with the expansion of our store network. Our depreciation of plant and equipment as a percentage of total revenue decreased from 7.0% in 2020 to 6.1% in 2021, mainly due to the strong growth of our revenue.

Amortization of intangible assets

Our amortization of intangible assets increased by 7.0% from RMB40.2 million in 2020 to RMB43.0 million in 2021. The increase was primarily driven by the acquisition of software and website. Our amortization of intangible assets as a percentage of total revenue decreased from 3.6% in 2020 to 2.7% in 2021, primarily due to the strong growth of our revenue achieved in 2021.

Utilities expenses

Our utilities expenses increased by 33.3% from RMB53.8 million in 2020 to RMB71.7 million in 2021, which was mainly attributable to the expansion of our store network which demands additional usage of utilities. Our utilities expenses as a percentage of total revenue remained relatively stable from 2020 to 2021.

FINANCIAL INFORMATION

Advertising and promotion expenses

Our advertising and promotion expenses increased by 41.2% from RMB86.3 million in 2020 to RMB121.9 million in 2021. The increase was mainly driven by the spending in advertising and promotion to grow our revenue and additional marketing efforts in cities where we opened new stores to enhance our brand awareness in order to acquire customers and drive sales. Our advertising and promotion expenses as a percentage of total revenue remained relatively stable from 2020 to 2021.

Store operation and maintenance expenses

Our store operation and maintenance expenses increased by 34.5% from RMB75.7 million in 2020 to RMB101.8 million in 2021. The increase in store operation and maintenance expenses was mainly due to the increases in royalty expenses, logistics fees and store maintenance fees from 2020 to 2021, which were in line with the expansion of our store network. Our store operation and maintenance expenses as a percentage of total revenue remained relatively stable from 2020 to 2021.

Variable lease rental payment, short-term rental and other related expenses

Our variable lease rental payment, short-term rental and other related expenses increased by 120.7% from RMB8.1 million in 2020 to RMB18.0 million in 2021. The increase was mainly driven by the expansion of our store network. Our variable lease rental payment, short-term rental and other related expenses as a percentage of total revenue remained relatively stable from 2020 to 2021.

Other expenses

Our other expenses increased by 1.2% from RMB56.3 million in 2020 to RMB57.0 million in 2021, primarily due to the [REDACTED] expenses in conjunction with the [REDACTED], partially offset by a 28.5% decrease in telecommunication and information technology related expenses and a 29.2% decrease in travelling and related expenses. The decrease in telecommunication and information technology related expenses was primarily attributable to a reduction in IT maintenance expenses as the operation of the store-related IT systems that we launched in 2020 stabilized. The decrease in travel and other expenses was primarily attributable to the impact of the COVID-19 pandemic, which restricted travel of the Company’s employees both within and outside of China. Our other expenses as a percentage of total revenue decreased from 5.1% to 3.5% from 2020 to 2021 mainly attributable to the strong growth of our revenue.

Fair value change of financial liabilities at fair value through profit or loss

The fair value change of financial liabilities at fair value through profit or loss increased significantly from RMB13.9 million in 2020 to RMB201.3 million in 2021, primarily due to the additional convertible Senior Ordinary Shares issued from our financing activities in 2021 and the increase in the total equity value of our Group.

FINANCIAL INFORMATION

Other income

Other income decreased by 72.2% from RMB15.9 million in 2020 to RMB4.4 million in 2021. The decrease was mainly due to a relatively higher amount of government grants that we received in 2020 in connection with COVID-19, as compared to those we received in 2021. Other income as a percentage of total revenue decreased from 1.4% in 2020 to 0.3% in 2021 for the same reason.

Other losses, net

Other losses, net decreased by 71.3% from RMB6.2 million in 2020 to RMB1.8 million in 2021, primarily driven by the gain on termination of lease contracts in connection with the reallocation of stores in 2021. Other losses, net as a percentage of total revenue remained relatively stable from 2020 to 2021.

Finance costs, net

Our finance costs, net increased by 41.5% from RMB61.9 million in 2020 to RMB87.7 million in 2021, mainly attributable to the RMB13.3 million increase in interest expenses in connection with our bank borrowing and lease liabilities and the RMB14.8 million decrease in net foreign exchange gains on financing activities. Our finance costs, net as a percentage of total revenue remained relatively stable.

Loss before income tax

Primarily driven by the foregoing, our loss before income tax increased by 78.6% from RMB267.7 million in 2020 to RMB478.1 million in 2021.

Income tax (expense)/credit

Our income tax (expense)/credit fluctuated from an income tax expense of RMB6.4 million in 2020 to an income tax credit of RMB7.1 million in 2021, which was primarily due to the recognition of deferred income tax assets on temporary differences based on the estimated future available taxable income of certain subsidiary in China.

Loss for the year attributable to owners of the Company

As a result of the foregoing, our loss for the year attributable to owners of the Company increased by 71.9% from RMB274.1 million in 2020 to RMB471.1 million in 2021.

FINANCIAL INFORMATION

Year ended December 31, 2020 compared to year ended December 31, 2019

Revenue

Our revenue increased by 32.0% from RMB836.6 million in 2019 to RMB1.1 billion in 2020. The increase was primarily contributed by (a) the increase in the number of stores, which grew from 268 as of December 31, 2019 to 363 as of December 31, 2020, and (b) to a lesser extent, the increases in average daily sales per store in both Beijing and Shanghai and in our new growth markets, which were adversely impacted by the COVID-19 pandemic.

In 2020, we added 41 new stores in Beijing and Shanghai and 54 new stores in our new growth markets. Our total sales in Beijing and Shanghai grew 23.8% from 2020 to 2021 and contributed 78.7% of our total revenue in 2020, while our total sales in our new growth markets grew 74.6% from 2020 to 2021 and contributed 21.3% of our total revenue in 2020.

In Beijing and Shanghai, average daily sales per store remained relatively flat, increasing from RMB12,009 in 2019 to RMB12,122. In our new growth markets, average daily sales per store increased from RMB5,892 in 2019 to RMB6,002 in 2020. In both Beijing and Shanghai, as well as our new growth markets, average daily sales per store were boosted by increasing average sales value per order, which was partially offset by a decrease in average orders per store per day caused by adverse impact of the COVID-19 pandemic, particularly with respect to new stores, which have a higher percentage of dine-in orders compared to older stores. Despite the impact of the COVID-19 pandemic, our delivery sales remained relatively resilient.

In spite of the adverse impact of the COVID-19 pandemic, our continued efforts on menu innovations, excellent product taste and improving our brand recognition, as well as the strength of our delivery service and our focused business model helped us remained resilient in 2020. This enabled us to achieve SSSG of 9.0% across all markets, SSSG of 7.7% in Beijing and Shanghai, and SSSG of 18.0% in our new growth markets during the period.

Raw materials and consumables cost

Our raw materials and consumables cost increased by 36.1% from RMB228.1 million in 2019 to RMB310.5 million in 2020. The increase in our raw materials and consumables cost was generally in line with our sales growth. Our raw materials and consumables cost as a percentage of revenue increased from 27.3% in 2019 to 28.1% in 2020, primarily due to the fluctuation of the price of raw materials such as pork in 2020.

FINANCIAL INFORMATION

Staff compensation expense

Our staff compensation expense increased by 39.7% from RMB335.9 million in 2019 to RMB469.2 million in 2020, primarily due to (a) the overall merit-based increase in salary, (b) the expansion of our store network which led to an increased level of staffing and (c) the RMB24.3 million increase in share-based compensation recognized resulting from the increase in the total equity value of our Group. Our staff compensation expense as a percentage of revenue increased from 40.1% in 2019 to 42.5% in 2020, primarily due to the increase in share-based compensation.

Depreciation of right-of-use assets

Our depreciation of right-of-use assets increased by 30.2% from RMB98.6 million in 2019 to RMB128.4 million in 2020, mainly attributable to the expansion of our store network. Our depreciation of right-of-use assets as a percentage of total revenue remained relatively stable from 2019 to 2020.

Depreciation of plant and equipment

Our depreciation of plant and equipment increased by 33.2% from RMB57.7 million in 2019 to RMB76.9 million in 2020, which was primarily due to increased equipment needs in conjunction with the expansion of our store network. Our depreciation of plant and equipment as a percentage of total revenue remained relatively stable from 2019 to 2020.

Amortization of intangible assets

Our amortization of intangible assets increased by 11.4% from RMB36.1 million in 2019 to RMB40.2 million in 2020. The increase was primarily driven by the development and license costs of software and website. Our amortization of intangible assets as a percentage of total revenue decreased from 4.3% in 2019 to 3.6% in 2020, primarily due to the strong growth of our revenue.

Utilities expenses

Our utilities expenses increased by 25.2% from RMB43.0 million in 2019 to RMB53.8 million in 2020, which was mainly attributable to the expansion of our store network which demands additional usage of utilities. Our utilities expenses as a percentage of total revenue remained relatively stable from 2019 to 2020.

FINANCIAL INFORMATION

Advertising and promotion expenses

Our advertising and promotion expenses increased by 40.2% from RMB61.5 million in 2019 to RMB86.3 million in 2020. The increase was mainly driven by the spending in advertising and promotion to grow our revenue and additional marketing efforts in cities where we opened new stores to boost our brand awareness in order to acquire customers and drive sales. Our advertising and promotion expenses as a percentage of total revenue remained relatively stable from 2019 to 2020.

Store operation and maintenance expenses

Our store operation and maintenance expenses increased by 40.9% from RMB53.7 million in 2019 to RMB75.7 million in 2020. The increase in store operation and maintenance expenses was primarily due to the increases in royalty expenses and logistics fees from 2019 to 2020. Our store operation and maintenance expenses as a percentage of total revenue remained relatively stable from 2019 to 2020.

Variable lease rental payment, short-term rental and other related expenses

Our variable lease rental payment, short-term rental and other related expenses increased by 18.5% from RMB6.9 million in 2019 to RMB8.1 million in 2020. The increase was mainly driven by the expansion of our store network. Our variable lease rental payment, short-term rental and other related expenses as a percentage of total revenue remained relatively stable from 2019 to 2020.

Other expenses

Our other expenses increased by 25.1% from RMB45.0 million in 2019 to RMB56.3 million in 2020. The increase was primarily attributable to a 56.1% increase in telecommunication and information technology related expenses and a 9.8% increase in travelling and other expenses. The increase in telecommunication and information technology related expenses was primarily attributable to the launch of an update to our store-related IT systems, while the increase in travelling and other expenses was primarily attributable to increased employee travel and related expenses incurred in connection with groupwide activities conducted to celebrate the opening of the Company’s 400th store. Our other expenses as a percentage of total revenue remained relatively stable from 2019 to 2020.

Fair value change of financial liabilities at fair value through profit or loss

The fair value change of financial liabilities at fair value through profit or loss significantly increased from nil in 2019 to RMB13.9 million in 2020, primarily due to our issuance of convertible Senior Ordinary Shares in May 2020 and the increase in the total equity value of our Group from the date of issuance to the end of 2020.

FINANCIAL INFORMATION

Other income

Other income increased significantly from RMB2.4 million in 2019 to RMB15.9 million in 2020, mainly due to our receipt of government grants related to COVID-19. Other income as a percentage of total revenue increased from 0.3% in 2019 to 1.4% in 2020 for the same reason.

Other losses, net

Other losses, net increased by 103.3% from RMB3.0 million in 2019 to RMB6.2 million in 2020, primarily driven by the impairment charge of right-of-use assets in connection with the planned relocation of stores in 2020. Other losses, net as a percentage of total revenue remained relatively stable from 2019 to 2020.

Finance costs, net

Our finance costs, net increased by 21.4% from RMB51.0 million in 2019 to RMB61.9 million in 2020. The increase in finance costs, net was primarily due to (a) the RMB9.4 million increase in interest expenses relating to bank borrowings as a result of the increased balance of our bank borrowings in 2020, (b) the RMB7.6 million increase in interest expenses relating to lease liabilities in connection with the expansion of our store network, (c) the RMB12.5 million increase in guarantee fee from bank borrowings as the guarantee of our bank borrowings was for three months in 2019 and twelve months in 2020 and (d) the RMB10.2 million issuance cost of convertible Senior Ordinary Shares, offset by net foreign exchange gains on financing activities incurred in 2020 which were driven by the fluctuations of the currency exchange ratio between Renminbi and US Dollar. Our finance costs, net as a percentage of total revenue remained relatively stable from 2019 to 2020.

Loss before income tax

Due to the foregoing, our loss before income tax increased by 47.4% from RMB181.6 million in 2019 to RMB267.7 million in 2020.

Income tax expense

Our income tax expense increased from nil in 2019 to RMB6.4 million in 2020. The increase in income tax expense was primarily incurred at our wholly owned subsidiary of Dash Beijing as it commenced generating net profit in 2020.

Loss for the year attributable to owners of the Company

Primarily driven by the foregoing, our loss for the year attributable to owners of the Company increased by 51.0% from RMB181.6 million in 2019 to RMB274.1 million in 2020.

FINANCIAL INFORMATION

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED BALANCE SHEETS

The following table sets forth information from our consolidated balance sheets as of the dates indicated, which has been extracted from the Accountant’s Report in Appendix I to this document:

	As of December 31,			As of
	2019	2020	2021	June 30, 2022
	<i>(in RMB thousands)</i>			
Total non-current assets	2,079,404	2,273,457	2,378,653	2,421,166
Total current assets	163,753	375,259	784,041	684,222
Total assets	<u>2,243,157</u>	<u>2,648,716</u>	<u>3,162,694</u>	<u>3,105,388</u>
Total non-current liabilities	531,953	996,809	1,355,787	1,505,858
Total current liabilities	373,353	577,722	849,030	748,279
Total liabilities	<u>905,306</u>	<u>1,574,531</u>	<u>2,204,817</u>	<u>2,254,137</u>
Net current liabilities	<u>(209,600)</u>	<u>(202,463)</u>	<u>(64,989)</u>	<u>(64,057)</u>
Net assets	<u>1,337,851</u>	<u>1,074,185</u>	<u>957,877</u>	<u>851,251</u>
Total equity and liabilities	<u>2,243,157</u>	<u>2,648,716</u>	<u>3,162,694</u>	<u>3,105,388</u>
Share capital	576,620	582,677	651,496	651,496
Share premium	854,976	872,366	1,143,738	1,143,738
Other reserves	29,671	16,608	44,006	32,855
Accumulated losses	(123,416)	(397,466)	(868,529)	(964,004)
Shares held for restricted share units	—	—	(12,834)	(12,834)
Total equity	<u>1,337,851</u>	<u>1,074,185</u>	<u>957,877</u>	<u>851,251</u>

FINANCIAL INFORMATION

The following table sets forth our current assets and liabilities as of the dates indicated.

	As of December 31,		As of	As of	
	2019	2020	June 30, 2022	August 31, 2022 (unaudited)	
	<i>(in RMB thousands)</i>				
Current assets					
Inventories	21,090	25,677	36,517	47,217	39,078
Trade receivables	2,318	3,630	4,581	4,494	4,315
Prepayment, deposits and other receivables	55,871	85,528	84,056	55,353	75,101
Cash and cash equivalents	83,657	257,390	656,672	576,944	477,835
Restricted cash	817	3,034	2,215	214	214
Total current assets	<u>163,753</u>	<u>375,259</u>	<u>784,041</u>	<u>684,222</u>	<u>596,543</u>
Current liabilities					
Borrowings	–	30,000	180,000	–	–
Lease liabilities	98,503	128,046	141,212	162,941	168,685
Trade payables	83,992	73,743	124,696	141,843	113,016
Contract liabilities	11,767	17,269	23,210	27,063	26,618
Accruals and other payables	179,091	322,291	358,365	401,619	358,824
Current income tax liabilities	–	6,373	21,547	14,813	13,685
Total current liabilities	<u>373,353</u>	<u>577,722</u>	<u>849,030</u>	<u>748,279</u>	<u>680,828</u>
Net current liabilities	<u>(209,600)</u>	<u>(202,463)</u>	<u>(64,989)</u>	<u>(64,057)</u>	<u>(84,285)</u>

We recorded net current liabilities of RMB209.6 million, RMB202.5 million, RMB65.0 million and RMB64.1 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively. These net current liabilities were primarily the result of our store expansion during the Track Record Period, during which we primarily used our cash generated from operating activities, proceeds from our pre-[REDACTED] investors and borrowings to finance the capital expenditure of such expansion, which mostly translated into non-current assets. As of August 31, 2022, we had net current liabilities of RMB84.3 million.

FINANCIAL INFORMATION

Our net current liabilities were primarily attributable to lease liabilities, trade payables and accruals and other payables. Our net current liabilities remained relatively stable as of December 31, 2019 and 2020. Our net current liabilities decreased from RMB202.5 million as of December 31, 2020 to RMB65.0 million as of December 31, 2021, mainly due to the recognition our borrowings of RMB150.0 million from long-term to short-term and the increase in trade payables and accruals and other payables of RMB51.0 million and RMB36.1 million, respectively, which was partially offset by the increase in cash and cash equivalents of RMB399.3 million. Our net current liabilities decreased from RMB65.0 million as of December 31, 2021 to RMB64.1 million as of June 30, 2022, mainly attributable to the net cash generated from operating activities for the six months ended June 30, 2022. We believe that our net current liabilities position will improve with the net [REDACTED] from the [REDACTED] and with net cash inflows generated from operating activities once the newly opened stores begin to make profit.

Notwithstanding the above, our Directors are of the view that we will have available sufficient working capital to meet our present requirements and for at least the next twelve months from the date of this document, taking into account cash on hand and cash at banks, cash generated from operating activities, secured revolving credit facility from a bank in China, the investments from our Pre-[REDACTED] Investors and the estimated net [REDACTED] we expect to receive from the [REDACTED]. We believe that our business operation and financial condition will not be materially and adversely affected by our current liabilities position.

Plant and equipment

Our plant and equipment represents (a) leasehold improvements, (b) machinery and equipment, (c) motor vehicles, (d) office equipment and (e) construction in progress, which mainly includes leasehold improvements and machinery and equipment under construction or installation. The following table sets forth our plant and equipment as of the dates indicated.

	As of December 31,			As of
	2019	2020	2021	June 30, 2022
	<i>(in RMB thousands)</i>			
Leasehold improvements	154,309	196,054	238,579	245,707
Machinery and equipment	109,215	133,104	152,922	153,214
Motor vehicles	10,134	14,018	15,983	15,628
Office equipment	7,956	8,319	7,647	6,698
Construction in progress	2,089	10,122	11,919	11,097
Total	283,703	361,617	427,050	432,344

FINANCIAL INFORMATION

Our plant and equipment increased from RMB283.7 million as of December 31, 2019 to RMB361.6 million as of December 31, 2020, further increased from RMB361.6 million as of December 31, 2020 to RMB427.1 million as of December 31, 2021 and further increased from RMB427.1 million as of December 31, 2021 to RMB432.3 million as of June 30, 2022. The increase was primarily driven by the expansion of our store network. For further information regarding our plant and equipment, see Note 13 to the Accountant’s Report in Appendix I to this document.

Right-of-use assets

Our right-of-use assets primarily represent the premises we lease for our stores. Our right-of-use assets increased from RMB468.4 million as of December 31, 2019 to RMB595.8 million as of December 31, 2020, increased further from RMB595.8 million as of December 31, 2020 to RMB637.6 million as of December 31, 2021 and increased from RMB637.6 million as of December 31, 2021 to RMB672.4 million as of June 30, 2022. The increase in right-of-use assets from 2019 to June 30, 2022 was primarily in line with our store expansion plan during the Track Record Period.

Intangible assets

Our intangible assets mainly include the MFA and goodwill which were arisen from the Acquisition. The following table sets forth our intangible assets as of the dates indicated.

	As of December 31,			As of
	2019	2020	2021	June 30, 2022
	<i>(in RMB thousands)</i>			
MFA	891,605	854,464	820,973	808,625
Goodwill	360,479	360,479	360,479	360,479
Acquired software and website	33,491	53,512	55,212	55,787
Self-developed website	9,440	8,480	7,520	7,040
Store franchise fees	4,219	7,750	9,822	10,047
Total	<u>1,299,234</u>	<u>1,284,685</u>	<u>1,254,006</u>	<u>1,241,978</u>

FINANCIAL INFORMATION

As of December 31, 2019, 2020, 2021 and June 30, 2022, our intangible assets were RMB1,299.2 million, RMB1,284.7 million, RMB1,254.0 million and RMB1,242.0 million, respectively. There has been no impairment of the goodwill during the Track Record Period. The gradual decrease in intangible assets from 2019 to June 30, 2022 was primary due to the amortization of the MFA.

The recoverable amount of the group of CGUs, which is allocated to the whole group, are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 10-year period. We are in an industry which is currently in the stage of rapid development. Considering our store expansion plan, we plan to continue to grow our presence in China by expanding geographic coverage and deepening market penetration. As a result, we will be in a period of rapid development for the next few years and expect to develop to a stable stage in the next decade. The recoverable amount of the group of CGUs is determined based on the valuation results, which were also been cross checked to the valuation report as issued by an independent qualified appraisal firm, Avista Valuation Advisory Limited.

For the years of 2019, 2020 and 2021 and the six months ended June 30, 2022, the key assumptions are:

	Year ended December 31,			Six months ended
	2019	2020	2021	June 30, 2022
	%	%	%	%
Revenue growth rate	11.4 - 39.3	11.4 - 37.8	9.2 - 27.6	9.2 - 26.9
Pre-tax discount rate	19.9	19.1	18.3	18.3
Terminal growth rate	3.0	2.5	2.5	2.5

Based on the results of the impairment assessment, our Directors concluded that no impairment on goodwill has to be recognized as of the respective balance sheet dates.

FINANCIAL INFORMATION

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables primarily consist of rental deposits for our stores, prepayments of guarantee fee, raw materials and [REDACTED] expenses, value added tax recoverable and other receivables. The following table sets forth our prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,			As of
	2019	2020	2021	June 30,
	(in RMB thousands)			
Non-current				
Rental deposits	22,880	29,490	31,773	36,452
Prepayments				
– guarantee fee	4,883	1,957	–	–
– others	426	324	–	–
Less: loss allowance for other financial assets at amortised cost	(167)	(391)	(401)	(411)
 Non-current prepayments, deposits and other receivables	 <u>28,022</u>	 <u>31,380</u>	 <u>31,372</u>	 <u>36,041</u>
 Current				
Prepayments				
– guarantee fee	13,778	12,927	11,954	–
– raw materials	3,491	15,267	10,804	2,888
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
– others	1,706	2,817	3,478	4,328
Value added tax recoverable	33,548	47,297	45,318	34,123
Rental deposits	1,806	4,563	9,061	8,327
Other receivables	1,576	2,718	2,544	3,349
Less: loss allowance for other financial assets at amortised cost	(34)	(61)	(97)	(138)
 Current prepayments, deposits and other receivables	 <u>55,871</u>	 <u>85,528</u>	 <u>84,056</u>	 <u>55,353</u>
 Total	 <u>83,893</u>	 <u>116,908</u>	 <u>115,428</u>	 <u>91,394</u>

FINANCIAL INFORMATION

Our prepayments, deposits and other receivables increased from RMB83.9 million as of December 31, 2019 to RMB116.9 million as of December 31, 2020, decreased from RMB116.9 million as of December 31, 2020 to RMB115.4 million as of December 31, 2021 and decreased from RMB115.4 million as of December 31, 2021 to RMB91.4 million as of June 30, 2022. The increase in prepayments, deposits and other receivables from 2019 to 2020 was primarily driven by (a) the increase in the prepayments of certain food ingredients to obtain better procurement pricing terms from suppliers, (b) the increase in value added tax recoverable deriving from an increased volume of raw materials and equipment procured to support our business growth and (c) the increase in rental deposits primarily due to the expansion of our store network. Our prepayments, deposits and other receivables remained relatively stable from 2020 to 2021. The decrease in prepayments, deposits and other receivables from December 31, 2021 to June 30, 2022 was primarily due to (a) the decrease in prepaid guarantee fee due to our early repayment of bank borrowings in March 2022 and (b) the decrease in value added tax recoverable due to the delay of issuing the invoice by our vendor resulting from the impact of COVID-19.

Inventories

Our inventories represent raw materials and consumables, which primarily comprise food ingredients, packing materials, gadgets, cleaning tools, office supplies and uniforms.

Our inventories increased from RMB21.1 million as of December 31, 2019 to RMB25.7 million as of December 31, 2020, increased from RMB25.7 million as of December 31, 2020 to RMB36.5 million as of December 31, 2021 and further increased from RMB36.5 million as of December 31, 2021 to RMB47.2 million as of June 30, 2022. During the Track Record Period, the increase in our inventories was mainly driven by the increased amount of food and beverages that we reserved for our business operation, which was due to the increase in the numbers of the stores we operate.

Inventories turnover days are based on the average balance of inventories divided by cost of raw materials and consumables cost for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, our inventory turnover days were 29.3 days, 27.5 days, 26.7 days and 30.7 days. The slight decrease in our inventory turnover days from 2019 to 2021 was primary due to our improved procurement capabilities and our enhanced efficiency of supply chain management as we engaged more local suppliers in cities where we operate. The increase in inventory turnover days from December 31, 2021 to June 30, 2022 was mainly attributable to a 5-day increase in safety stock under the COVID-19.

FINANCIAL INFORMATION

The following table sets forth an aging analysis of inventories by category as of the dates indicated.

	As of December 31,			As of
	2019	2020	2021	June 30, 2022
	<i>(in RMB thousands)</i>			
Within one year	21,090	24,993	35,962	45,660
Over one year	—	684	555	1,557
Total	<u>21,090</u>	<u>25,677</u>	<u>36,517</u>	<u>47,217</u>

As of September 30, 2022, RMB45.6 million, or 96.5% of our inventories outstanding as of June 30, 2022 had been sold or utilized.

Trade receivables

Trade receivables are primarily amounts due from third-party platforms in connection with the sales of our products in the ordinary course of business. Our trade receivables are primarily generated from amounts due from third-party platforms that have not been transferred to our account. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. The following table sets forth our trade receivables as of the dates indicated.

	As of December 31,			As of
	2019	2020	2021	June 30, 2022
	<i>(in RMB thousands)</i>			
Trade receivables	2,367	3,711	4,663	4,604
Less: allowance for impairment of trade receivables	(49)	(81)	(82)	(110)
Total	<u>2,318</u>	<u>3,630</u>	<u>4,581</u>	<u>4,494</u>

Our trade receivables increased by 56.6% from RMB2.3 million as of December 31, 2019 to RMB3.6 million as of December 31, 2020, increased by 26.2% from RMB3.6 million to RMB4.6 million as of December 31, 2021 and slightly decreased by 1.9% from RMB4.6

FINANCIAL INFORMATION

million as of December 31, 2021 to RMB4.5 million as of June 30, 2022. The increase in trade receivables from 2019 to 2021 was in line with our increase in overall sales. Our trade receivables remained relatively stable from December 31, 2021 to June 30, 2022.

Trade receivables turnover days are based on the average balance of trade receivables divided by total revenues for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, our trade receivables turnover days, which primarily reflect turnover of receivables in connection with the sales of our products in connection with the payment we received through third-party platforms, were 1.3 days, 1.0 days, 0.9 days and 0.9 days, respectively. Our trade receivables turnover days remained stable from 2019 to June 30, 2022.

The following table sets forth an aging analysis of our trade receivables based on the invoice date as of the dates indicated.

	For the year ended December 31,			For the six months ended
	2019	2020	2021	June 30, 2022
	<i>(in RMB thousands)</i>			
Within 30 days	2,367	3,711	4,663	4,604

As of September 30, 2022, RMB4.6 million, or 100.0% of our trade receivables outstanding as of June 30, 2022 had been collected.

Cash and cash equivalents

Our cash and cash equivalents were RMB83.7 million, RMB257.4 million, RMB656.7 million and RMB576.9 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. The increase in cash and cash equivalents from 2019 to 2020 was mainly due to our drawdown of RMB145.0 million from our banking facility and first tranche funding of US\$40 million investment in the form of 2020 Senior Ordinary Shares in 2020, offset by capital expenditures and payment for rental expenses in conjunction with the expansion of our store network. The increase in cash and cash equivalents from 2020 to 2021 was primarily driven by the second tranche funding of 2020 Senior Ordinary Shares, 2021 Senior Ordinary Shares, and equity capital raising in 2021 and the increase in cash inflow generated from operating activities, offset by capital expenditures, payment for rental expenses in conjunction with the expansion of our store network and repayment of our bank borrowing. The decrease in cash and cash equivalent from December 31, 2021 to June 30, 2022 was mainly attributable to our repayment of RMB180.0 million under a bank facility and our borrowing of RMB100.0 million under a newly entered bank facility with a term of three years from the first drawdown.

FINANCIAL INFORMATION

Borrowings

In October 2019, we entered into a term loan agreement with a bank with total facility of RMB210.0 million. As of June 30, 2022, we had repaid the aggregate amount of RMB210.0 million prior to the repayment schedule. In late March of 2022, we entered into a new facility agreement with another bank with total facility of RMB200.0 million for a term of three years from the first drawdown. Our total outstanding borrowings increased from RMB65.0 million as of December 31, 2019 to RMB210.0 million as of December 31, 2020, decreased from RMB210.0 million as of December 31, 2020 to RMB180.0 million as of December 31, 2021 and decreased from RMB180.0 million as of December 31, 2021 to RMB100.0 million as of June 30, 2022. As of December 31, 2019, 2020 and 2021 and June 30, 2022, the amount of unutilised banking facilities was RMB145.0 million, nil, nil and RMB100.0 million, respectively. Our borrowings reflect our drawdowns of RMB65.0 million in 2019 and RMB145.0 million in 2020, our repayment of RMB30.0 million in 2021 and RMB180.0 million in the six months ended June 30, 2022 under the term loan, and our drawdowns of RMB100 million in the six months ended June 30, 2022. See “– Indebtedness” for more discussion. The table below sets forth our non-current and current borrowings as of the dates indicated.

	As of December 31,			As of
	2019	2020	2021	June 30, 2022
	<i>(in RMB thousands)</i>			
Non-current				
Borrowings	65,000	180,000	–	100,000
Current liabilities				
Borrowings	–	30,000	180,000	–
Total	65,000	210,000	180,000	100,000

Financial liabilities at fair value through profit or loss

During the Track Record Period, we issued certain convertible Senior Ordinary Shares to Domino’s Pizza LLC to fund the expansion of our store network. Upon the [REDACTED], all convertible Senior Ordinary Shares will be automatically converted into ordinary shares. See “History, reorganization and corporate structure” and Note 25 to the Accountant’s Report in Appendix I to this document for details of the convertible Senior Ordinary Shares.

FINANCIAL INFORMATION

Lease liabilities

Our lease liabilities are in relation to properties that we lease for our stores, central kitchens and offices. We recognized lease liabilities of RMB485.0 million, RMB629.6 million, RMB681.3 million and RMB735.0 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. The increase in lease liabilities from 2019 to 2020 was primarily attributable to our expansion of store network with 95 new stores opened in 2020. The increase in lease liabilities from 2020 to 2021 was mainly due to our expansion of store network with 105 new stores opened in 2021. The increase in lease liabilities from December 31, 2021 to June 30, 2022 was primarily driven by our expansion of store network with 40 new stores (net of closures) opened in the six months ended June 30, 2022. For further information regarding our lease liabilities, see Note 14 to the Accountant’s Report in Appendix I to this document.

Accruals and other payables

Our accruals and other payables primarily include (a) payable for share-based compensation, (b) payables for MFA, (c) provision for restoration costs, (d) salary and welfare payables, (e) payables for plant and equipment, (f) accrued expenses, and (g) others, which mainly consist of board meeting expense, tax payable and transportation expense. The following table sets forth a breakdown of our accruals and other payables as of the dates indicated.

	As of December 31,			As of
	2019	2020	2021	June 30, 2022
	<i>(in RMB thousands)</i>			
Non-current				
Payables for stock				
appreciation rights	6,318	29,780	21,305	–
Payables for MFA ⁽¹⁾	63,220	–	–	–
Provision for restoration				
costs	10,924	10,417	9,944	6,891
Non-current accruals and other payables	80,462	40,197	31,249	6,891

FINANCIAL INFORMATION

	As of December 31,			As of
	2019	2020	2021	June 30,
	(in RMB thousands)			
Current				
Payables for stock				
appreciation rights	–	–	7,970	2,018
Salary and welfare payables	63,563	82,997	114,119	103,360
Payables for MFA ⁽¹⁾	12,954	68,554	–	–
Payables for plant and				
equipment	32,037	66,389	65,510	69,484
Accrued expenses ⁽²⁾	65,403	88,670	148,095	199,703
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others ⁽³⁾	5,134	15,681	14,263	19,671
Current accruals and other				
payables	179,091	322,291	358,365	401,619
Total accruals and other				
payables	259,553	362,488	389,614	408,510

Notes:

- (1) Payables for MFA represent the payables for the master franchise fee to Domino’s Pizza International Franchising Inc.
- (2) Accrued expenses include accrued advertising and promotion expenses, accrued information technology expenses, accrued professional service expenses, accrued utilities expenses, accrued store operation expenses and accrued royalty expenses.
- (3) Others mainly consist of interest payables, board meeting expense, tax payable and transportation expense.

Our total accruals and other payables were RMB259.6 million, RMB362.5 million, RMB389.6 million and RMB408.5 million as of December 31, 2019, 2020 and 2021 and June 30, 2022. The increase of accruals and other payables from 2019 to 2020 was primarily attributable to (a) the increase in payables for share-based compensation primarily as a result of increase in the total equity value of our Group, (b) the increase in salary and welfare payables mainly due to our increased level of staffing as we expanded our store network, (c) the increase in payables for plant and equipment primarily as a result of the expansion of our store network and (d) the increase in accrued expenses mainly driven by the expansion of our store network and our increased marketing and promotions in cities where we opened new stores to boost our brand awareness and improve sales. The increase of accruals and other payables from 2020 to 2021 was mainly due to (a) the increase in salary and welfare payables primarily as a result of our increased staffing need as we expand our store network and (b) the

FINANCIAL INFORMATION

increase in accrued expenses mainly driven by the expansion of our store network, our increased marketing and promotions in cities where we opened new stores to boost our brand awareness and improve sales, and our financing activity in December 2021, partially offset by the decrease in payables in master franchise fee for our MFA as we made our final payment of the fee in 2021. The increase of accruals and other payables from December 31, 2021 to June 30, 2022 was primarily attributable to (a) the increase in accrued expenses mainly driven by the expansion of our store network, our increased marketing and promotions in cities where we opened new stores to boost our brand awareness and improve sales, (b) the increase in accrued royalty expenses as a result from overseas payment affected by citywide lockdown, and (c) the increase in shipping and storage related expenses in the first half of 2022 as a result of the impact of COVID-19.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Our trade payables decreased from RMB84.0 million as of December 31, 2019 to RMB73.7 million as of December 31, 2020, increased from RMB73.7 million as of December 31, 2020 to RMB124.7 million as of December 31, 2021 and increased from RMB124.7 million as of December 31, 2021 to RMB141.8 million as of June 30, 2022. The decrease of trade payables from 2019 to 2020 was primarily due to our prepayments of certain supplies to optimize cost ratio. The increase of trade payables from 2020 to 2021 was primarily due to certain settlement arrangements as of that year end. The increase of trade payables from December 31, 2021 to June 30, 2022 was mainly attributable to the increase in our procurement of raw materials and consumables in the first half of 2022 in conjunction with our improved sales.

Trade payables turnover days are based on the average balance of trade payables divided by cost of raw materials and consumable used for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, our trade payables turnover days were 113.9 days, 92.7 days, 85.1 days and 97.6 days, respectively. Our trade payables turnover days have been steadily decreasing from 2019 to 2021 as we made prepayments for certain raw materials on better price terms to reduce procurement costs. Our trade payable turnover days increased from December 31, 2021 to June 30, 2022 primarily due to the prolonged period for certain suppliers to provide invoices, as they were impacted by the COVID-19 and the relevant government measures in Shanghai during the first half of 2022.

FINANCIAL INFORMATION

The following table sets forth an aging analysis of trade payables as of the date indicated.

	As of December 31,			As of
	2019	2020	2021	June 30, 2022
	<i>(in RMB thousands)</i>			
Within 3 months	83,263	73,160	120,863	137,410
Between 4 months to 6 months	729	501	3,831	734
Over 6 months	–	82	2	3,699
Total	83,992	73,743	124,696	141,843

As of September 30, 2022, RMB140.1 million, or 98.8% of our trade payables outstanding as of June 30, 2022 had been subsequently settled.

KEY FINANCIAL RATIOS

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

	Year ended December 31,			Six months ended	
	2019	2020	2021	June 30, 2021	2022
Current ratio ⁽¹⁾	0.44	0.65	0.92	0.86	0.91
Quick ratio ⁽²⁾	0.38	0.61	0.88	0.82	0.85
Gearing ratio ⁽³⁾	5%	20%	19%	22%	12%
Adjusted EBITDA margin (non-IFRS measure) ⁽⁴⁾	(3.1%)	(3.2%)	3.6%	3.7%	4.7%
Store EBITDA margin (non-IFRS measure) ⁽⁵⁾	10.6%	10.6%	15.0%	15.2%	15.2%

Notes:

- (1) The calculation of current ratio is based on current assets divided by current liabilities as of the period end.
- (2) The calculation of quick ratio is based on current assets less inventories divided by current liabilities as of the period end.
- (3) The calculation of gearing ratio is based on total borrowing divided by total equity as of the period end and multiplied by 100%.

FINANCIAL INFORMATION

- (4) The calculation of adjusted EBITDA margin (non-IFRS measure) is based on adjusted EBITDA (non-IFRS measure) divided by our total revenue for the period and multiplied by 100%.
- (5) The calculation of Store EBITDA margin (non-IFRS measure) is based on Store EBITDA (non-IFRS measure) divided by total revenue for the period and multiplied by 100%. We also calculate Store EBITDA margin for Beijing and Shanghai, as well as our new growth markets. Those calculations are based on Store EBITDA (non-IFRS measure) for the applicable market, less certain unallocable costs, divided by total revenue for the year and multiplied by 100%. For details, see “Non-IFRS measures” in this section.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from cash generated from operating activities and other financing activities. As of December 31, 2019, 2020, 2021 and June 30, 2022, our cash and cash equivalents were RMB83.7 million, RMB257.4 million, RMB656.7 million and RMB576.9 million, respectively. As of August 31, 2022, our cash and cash equivalents amounted to RMB477.8 million. Our cash and cash equivalents primarily consist of cash at bank and cash in hand.

The following table sets forth a summary of our cash flows for the periods indicated.

	For the Year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	<i>(in RMB thousands)</i>			<i>(Unaudited)</i>	
Selected Consolidated Cash Flow Data:					
Net cash generated from operating activities	124,347	103,543	332,089	157,475	167,573
Net cash used in investing activities	(181,228)	(152,408)	(181,740)	(89,464)	(68,142)
Net cash (used in)/generated from financing activities	(75,007)	233,569	242,985	134,343	(191,216)
Net (decrease)/increase in cash and cash equivalents	<u>(131,888)</u>	<u>184,704</u>	<u>393,334</u>	<u>202,354</u>	<u>(91,785)</u>
Cash and cash equivalents at beginning of year	216,862	83,657	257,390	257,390	656,672
Exchange difference on cash and cash equivalents	(1,317)	(10,971)	5,948	1,957	12,057
Cash and cash equivalents at end of year	<u>83,657</u>	<u>257,390</u>	<u>656,672</u>	<u>461,701</u>	<u>576,944</u>

FINANCIAL INFORMATION

Operating activities

Net cash generated from operating activities represents cash generated from operations and income tax paid.

For the six months ended June 30, 2022, net cash generated from operating activities was RMB167.6 million, which consisted primarily of loss before income tax of RMB85.7 million adjusted for certain non-cash and non-operating items. Adjustments for certain non-cash and non-operating items primarily include (a) depreciation of right-of-use assets of RMB91.0 million in connection with the expansion of our store network, (b) depreciation of plant and equipment of RMB56.7 million in connection with the expansion of our store network and (c) finance costs of RMB49.1 million mainly attributable to interest expenses relating to lease liabilities and bank borrowings, as well as guarantee fee. The amount was further adjusted by changes in working capital, including (a) increase in accruals and other payables of RMB32.2 million primarily driven by the expansion of our store network, (b) decrease in prepayments and other receivables of RMB17.5 million as a result of the impact of COVID-19 and (c) increase in trade payables of RMB17.1 million mainly due to the increase in our procurement of raw materials and consumables in the first half of 2022.

For the year ended December 31, 2021, net cash generated from operating activities was RMB332.1 million, which consisted primarily of loss before income tax of RMB478.1 million adjusted for certain non-cash and non-operating items and aggregated income tax paid of RMB6.4 million. Adjustments for certain non-cash and non-operating items primarily include (a) fair value losses on financial liabilities at fair value through profit or loss of RMB201.3 million, (b) depreciation of right-of-use assets of RMB162.0 million in connection with the expansion of our store network, (c) depreciation of plant and equipment of RMB98.7 million in connection with the expansion of our store network, (d) share-based compensation expense of RMB90.8 million in connection with the overall increased total equity value of our Group, (e) financial costs of RMB89.5 million mainly attributable to interest expenses relating to bank borrowings, lease liabilities and guarantee fee and (f) amortization of intangible assets of RMB43.0 million mainly in connection with the MFA. The amount was further adjusted by changes in working capital, including (a) the increase in accruals and other payables of RMB78.5 million and (b) the increase in trade payables of RMB51.0 million and (c) the increase in inventories of RMB10.8 million, primarily driven by the expansion of our store network.

FINANCIAL INFORMATION

For the year ended December 31, 2020, net cash generated from operating activities was RMB103.5 million, which consisted primarily of loss before income tax of RMB267.7 million adjusted for certain non-cash and non-operating items. Adjustments for certain non-cash and non-operating items primarily include (a) depreciation of right-of-use assets of RMB128.4 million in connection with the expansion of our store network, (b) depreciation of plant and equipment of RMB76.9 million in connection with the expansion of our store network, (c) finance costs of RMB63.1 million mainly attributable to interest expenses relating to bank borrowings, lease liabilities and guarantee fee, (d) amortization of intangible assets of RMB40.2 million mainly in connection with the MFA and (e) share-based compensation of RMB33.2 million primarily in connection with the overall increased total equity value of our Group. The amount was further adjusted by changes in working capital, including (a) increase in accruals and other payables of RMB50.1 million and (b) increase in prepayments and other receivables of RMB26.8 million, primarily driven by the expansion of our store network.

For the year ended December 31, 2019, net cash generated from operating activities was RMB124.3 million, which consisted primarily of loss before income tax of RMB181.6 million adjusted for certain non-cash and non-operating items. Adjustments for certain non-cash and non-operating items primarily include (a) depreciation of right-of-use assets of RMB98.6 million in connection with the expansion of our store network, (b) depreciation of plant and equipment of RMB57.7 million in connection with the expansion of our store network, (c) finance costs of RMB52.6 million mainly attributable to interest expenses relating to lease liabilities and long-term payables, (d) amortization of intangible assets of RMB36.1 million mainly in connection with the MFA and (e) share-based compensation of RMB8.9 million mainly in connection with the overall increased total equity value of our Group. The amount was further adjusted by changes in working capital, including (a) increase in accruals and other payables of RMB42.4 million in connection with the expansion of our store network, which caused salary and welfare payables and accrued store operating expenses to rise, (b) increase in trade payables of RMB25.7 million in relation to certain payment arrangements as of year-end, and (c) increase in prepayments and other receivables of RMB11.7 million.

Investing activities

For the six months ended June 30, 2022, net cash used in investing activities was RMB68.1 million, primarily attributable to purchase of plant and equipment of RMB61.2 million and purchase of intangible assets of RMB7.9 million in connection with the expansion of our store network, partially offset by interest received of RMB0.9 million.

In 2021, net cash used in investing activities was RMB181.7 million, primarily attributable to purchase of plant and equipment of RMB170.8 million and purchase of intangible assets of RMB14.0 million in connection with the expansion of our store network partially offset by interest received of RMB1.9 million and proceeds from disposal of plant and equipment of RMB1.2 million.

FINANCIAL INFORMATION

In 2020, net cash used in investing activities was RMB152.4 million, primarily attributable to purchase of plant and equipment of RMB127.6 million and purchase of intangible assets of RMB30.9 million in connection with the expansion of our store network, partially offset by interest received of RMB1.2 million and proceeds from disposal of plant and equipment of RMB4.9 million.

In 2019, net cash used in investing activities was RMB181.2 million, primarily attributable to purchase of plant and equipment of RMB155.2 million and purchase of intangible assets of RMB27.7 million in connection with the expansion of our store network, partially offset by interest received of RMB1.6 million.

Financing activities

For the six months ended June 30, 2022, net cash used in financing activities was RMB191.2 million, primarily attributable to repayment to borrowings of RMB180.0 million in connection with our early repayment of bank borrowing in late March of 2022 and payment of principal and interest element of lease liabilities of RMB96.9 million, partially offset by proceeds from borrowings of RMB100.0 million in connection with our drawdown from the newly entered bank facility.

In 2021, net cash generated from financing activities was RMB243.0 million, primarily attributable to total proceeds from issuance of convertible Senior Ordinary Shares of RMB316.7 million and total proceeds from issuance of ordinary shares of RMB260.7 million, both of which were in connection with our financing in 2021. Net cash generated from financing activities for the year ended December 31, 2021 was partially offset by repayment of bank loan principal and interest of RMB44.6 million and payment of principal and interest element of lease liabilities of RMB195.7 million, as well as our final installment payment of the master franchise fee of RMB76.5 million in connection with the MFA.

In 2020, net cash generated from financing activities was RMB233.6 million, primarily attributable to the total proceeds from issuance of convertible Senior Ordinary Shares of RMB282.8 million in connection with our financing in 2020 and the proceeds from borrowings of RMB145.0 million, partially offset by the principal and interest elements of lease payments of RMB149.8 million.

In 2019, net cash used in financing activities was RMB75.0 million, primarily attributable to the payment of principal and interest elements of lease payments of RMB118.4 million, partially offset by the proceeds from borrowings of RMB65.0 million.

FINANCIAL INFORMATION

INDEBTEDNESS

Borrowings

In October 2019, we entered into a term loan agreement with total facility of RMB210.0 million. We issued ordinary shares to one of our shareholders who served as the guarantor of our borrowings under the term loan. The guarantee fee for bank borrowings was booked under finance costs, net. For details, see “– Major Components of our results of operations – Finance costs, net”. The following table sets forth our borrowings as of December 31, 2019, 2020 and 2021, June 30, 2022 and August 31, 2022, being the last practicable date for the purposes of the indebtedness statement.

	As of December 31, 2019	2020	2021	As of June 30, 2022	As of August 31, 2022
<i>(in RMB thousands)</i>					
Borrowings included in current liabilities:					
Bank borrowings – secured	–	30,000	180,000	–	–
Borrowings included in non- current liabilities:					
Bank borrowings – secured	<u>65,000</u>	<u>180,000</u>	<u>–</u>	<u>100,000</u>	<u>100,000</u>
Total	<u>65,000</u>	<u>210,000</u>	<u>180,000</u>	<u>100,000</u>	<u>100,000</u>

We recorded borrowings balance of RMB65.0 million, RMB210.0 million, RMB180.0 million and RMB100.0 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, with the effective interest rate of 6.9825% as of December 31, 2019, 2020 and 2021 and 6.2571% as of June 30, 2022. We fully repaid the borrowings balance of RMB180.0 million as of December 31, 2021 by the end of March 2022 and, in the same month, secured a lower cost bank credit facility of RMB200.0 million with a term of three years from the first drawdown to supplement our working capital needs when necessary. As of August 31, 2022, we had bank borrowings of RMB100.0 million, which primarily comprised amounts drawn upon to the credit facility that we entered in March 2022.

FINANCIAL INFORMATION

Lease liabilities

We had total lease liabilities of RMB485.0 million, RMB629.6 million, RMB681.3 million and RMB735.0 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively. For further information regarding our lease liabilities, see Note 14 to the Accountant’s Report in Appendix I to this document.

Convertible Senior Ordinary Shares

We issued 8,651,546 and 9,449,473 fully paid convertible Senior Ordinary Shares in 2020 and 2021, respectively. Upon the [REDACTED], all convertible Senior Ordinary Shares will be automatically converted into ordinary shares.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, our convertible Senior Ordinary Shares had fair value of nil, RMB275.1 million, RMB784.4 million and RMB826.9 million, respectively. For further information regarding our convertible Senior Ordinary Shares, see “History, reorganization and corporate structure – Pre-[REDACTED] Investments” and Note 25 to the Accountant’s Report in Appendix I to this document. All convertible Senior Ordinary Shares are unsecured and unguaranteed.

No other outstanding indebtedness

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured as of August 31, 2022, the most recent practicable date for determining our indebtedness.

Our Directors confirmed that we had no material defaults in payment of loans and trade and non-trade payables during the Track Record Period and up to the Latest Practicable Date, and there is no material change in our indebtedness since August 31, 2022 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES OR GUARANTEES

As of the Latest Practicable Date, we did not have any material contingent liabilities or guarantees.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

Our capital expenditures are primarily incurred for purchase of plant and equipment and purchase of intangible assets. Our capital expenditures were RMB182.8 million in 2019, RMB158.5 million in 2020, RMB184.8 million in 2021 and RMB69.0 million for the six months ended June 30, 2022. The fluctuation is primarily attributable to (a) our purchase of additional plant and equipment in connection with the expansion of our store network, (b) new store decoration and existing store remodeling and refurbishment and (c) our spending on the acquisition and self-development of software and website in connection with the expansion of our store network to improve operational efficiency.

We intend to fund our future capital expenditures with our existing cash balance and [REDACTED] from the [REDACTED]. See “Future plans and use of [REDACTED]” for more details. We may reallocate the fund to be utilized on capital expenditure and long-term investments based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

Capital commitments

Our capital commitments outstanding as of December 31, 2019, 2020 and 2021 and June 30, 2022 were as follows:

	As of December 31,			As of
	2019	2020	2021	June 30,
	<i>(in RMB thousands)</i>			2022
Contracted but not provided				
for	64,836	67,558	61,137	35,006

Lease commitments

Future minimum short-term and low-value leases payables under non-cancellable operating leases of our Group as of December 31, 2019, 2020 and 2021 and June 30, 2022 were as follows:

	As of December 31,			As of
	2019	2020	2021	June 30,
	<i>(in RMB thousands)</i>			2022
No later than 1 year	296	663	1,042	1,102

FINANCIAL INFORMATION

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. We enter into transactions with our related parties from time to time. For a discussion of our related party transactions, see Note 33 to the Accountant’s Report in Appendix I to this document.

Our Directors believe that our transactions with the related parties during the Track Record were conducted in the normal course of business and on an arm’s length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by the Broad of Directors. See Note 3 to the Accountant’s Report in Appendix I to this document for a detailed description of our financial risk management.

Foreign exchange risk

Our businesses are principally conducted in RMB, which exposes us to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. During the Track Record Period, we have not entered into any derivative instruments to hedge our foreign exchange exposures.

Interest rate risk

Our interest rate risk mainly arises from borrowings, cash and cash equivalents and financial liabilities measured at FVPL. As of June 30, 2022, all of our Group’s borrowings are obtained at variable rates and expose our Group to cash flow interest-rate risk. As of December 31, 2019, 2020 and 2021, all of our Group’s borrowings were obtained at fixed rates and exposed us to fair value interest rate risk. We do not hedge our cash flow and fair value interest

FINANCIAL INFORMATION

rate risk. Financial liabilities measured at FVPL expose us to fair value interest rate risk before conversion into ordinary shares. Please refer to Notes 24 and 25 of the Accountant’s Report in Appendix I to this document for details of these financial liabilities.

Credit risk

Our credit risk mainly arises from cash and cash equivalents, restricted cash, rental and other deposits. The carrying amounts of each financial asset represent our maximum exposure to credit risk in relation to financial assets.

Risk management

We have policies in place to ensure that credit terms are made to customers with an appropriate credit history and we perform periodic credit evaluations of our customers.

Our cash and cash equivalents and restricted cash were deposited with high quality financial and other institutions with sound credit ratings. Therefore, we do not expect material losses arising from non-performance by these counterparties.

For rental and other deposits, we sign lease contracts with big department stores and real estate management companies.

We assess that most of the underlying lease contracts grant us, as a lessee, the contractual right to continue occupying the corresponding premises if the landlord does not refund these rental and other deposits at the end of the lease terms pursuant to the terms and conditions set out in the lease contracts. Hence, we do not expect material losses arising from non-performance by these counter parties.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding. Due to the dynamic nature of the underlying business, we aim at maintaining flexibility in funding by maintaining adequate amount of cash and cash equivalents.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded net current liabilities of RMB209.6 million, RMB202.5 million, RMB65.0 million and RMB64.1 million, respectively. We also generated net cash inflows from operating activities amounting to RMB124.3 million, RMB103.5 million, RMB332.1 million and RMB167.6 million for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. In managing liquidity risks, our Directors have reviewed its cash flow forecast, which covers a period of not less than twelve months from June 30, 2022. In preparing the cash flow forecast, our Directors have considered our Group’s capital expenditures plans (including the new stores opening plan in the forecast period), estimated cash flows provided by operations, existing cash on hand and other available source of funds.

FINANCIAL INFORMATION

Based on the above considerations, our historical performance and management's operating and financing plans, our Directors believe that we will have sufficient working capital to finance our operations and to meet our financial obligations as and when they fall due for not less than the next least twelve months from June 30, 2022.

DIVIDENDS

As advised by our British Virgin Islands legal advisor, under British Virgin Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business and the value of the Company's assets exceeds its liabilities. As we are a holding company incorporated under the laws of the British Virgin Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

Dividend distribution to our shareholders is recognized as a liability in our financial statements in the period in which the dividends are approved by our Board. During the Track Record Period, we did not distribute or declare any dividends. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the BVI Business Companies Act. In addition, our Directors may from time to time pay such interim dividends on shares of our Company outstanding and authorize payment of the same out of the funds of our Company lawfully available.

WORKING CAPITAL SUFFICIENCY CONFIRMATION

Taking into account cash on hand and cash at banks, cash generated from operating activities, secured revolving credit facility from a bank in China, the investments from Pre-[REDACTED] Investors and the estimated net [REDACTED] we expect to receive from the [REDACTED], our Directors are of the view that we will have available sufficient working capital to meet our present requirements and for at least the next twelve months from the date of this document.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

As of June 30, 2022, we did not have any distributable reserves.

[REDACTED] EXPENSES

Our [REDACTED] expenses mainly comprise professional fees paid and payable to the professional parties for their services rendered in relation to the [REDACTED] and the [REDACTED]. Based on the mid-point of the [REDACTED] of [REDACTED], the total estimated [REDACTED] expenses in relation to the [REDACTED] are approximately [REDACTED], assuming the [REDACTED] is not exercised, comprising (i) [REDACTED]-related expenses of approximately [REDACTED], including commissions and fees; and (ii) non-[REDACTED] related expenses of approximately [REDACTED], including (a) fees and expenses of legal advisors and the Reporting Accountant of approximately [REDACTED]; and (b) other fees and expenses of approximately [REDACTED]. Out of the total [REDACTED] expenses, approximately [REDACTED] has been charged to our consolidated statements of comprehensive income prior to June 30, 2022. We estimate approximately [REDACTED] will be charged to our consolidated statements of comprehensive income and the remaining balance of approximately [REDACTED] is expected to be accounted for as a deduction from equity upon the completion of the [REDACTED]. Our [REDACTED] expenses account for [REDACTED] of the gross [REDACTED] from this [REDACTED], as calculated using the mid-point of the [REDACTED].

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS ATTRIBUTABLE TO OWNERS OF OUR COMPANY

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the [REDACTED] as if it had taken place on June 30, 2022 and based on the audited consolidated net tangible assets attributable to equity holders of our Company as of June 30, 2022 as shown in the Accountant’s Report, the text of which is set out in Appendix I to this document, and adjusted as described below.

FINANCIAL INFORMATION

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of us had the [REDACTED] been completed as of June 30, 2022 or at any future dates.

Audited consolidated net tangible assets of our Group attributable to owners of our Company as of June 30, 2022	Estimated net [REDACTED] from the [REDACTED] RMB'000 (Note 1)	Estimated impact on the conversion of convertible Senior Ordinary Shares RMB'000 (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company as of June 30, 2022 RMB'000 (Note 4)	Unaudited pro forma adjusted consolidated net tangible assets per Share RMB HK\$ (Note 4) (Note 5)
Based on an [REDACTED] of [REDACTED]	(390,727) [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]
Based on an [REDACTED] of [REDACTED]	(390,727) [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]

Notes:

- (1) The audited consolidated net tangible assets of our Group attributable to the owners of our Company as of June 30, 2022 is extracted from the Accountant’s Report set out in Appendix II to this document, which is based on the audited consolidated net assets of our Group attributable to the owners of our Company as of June 30, 2022 of RMB851,251,000 with adjustments for the intangible assets as at June 30, 2022 of RMB1,241,978,000.
- (2) The estimated net [REDACTED] from the [REDACTED] are based on the indicative [REDACTED] of [REDACTED] and [REDACTED], respectively, after deduction of the [REDACTED] fees and other related expenses (excluding [REDACTED] expenses of approximately [REDACTED] which have been accounted for during the Track Record Period) paid/payable by our Company and takes no account of any Shares which may fall to be issued upon the exercise of the [REDACTED], exercise of options or awards granted under the Share Incentive Plans or any Shares which may be issued or repurchased by our Company pursuant to the general mandates.
- (3) All convertible Senior Ordinary Shares will be automatically converted into fully-paid ordinary share on a one-for-one basis upon completion of the [REDACTED]. The convertible Senior Ordinary Shares were accounted for as a liability to our Group. Accordingly, for the purpose of the unaudited pro forma adjusted consolidated net tangible assets, the adjustment represents the impact of the conversion of all convertible Senior Ordinary Shares into ordinary shares. The estimated impact is [REDACTED], being the carrying amount of the convertible Senior Ordinary Shares as of June 30, 2022.

FINANCIAL INFORMATION

- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares were in issue assuming that the [REDACTED] have been completed on June 30, 2022 (including [4,341,295] shares granted pursuant to the restricted share unit plan prior to June 30, 2022 that were vested prior to or to be vested upon the completion of the [REDACTED]) but takes no account of the [948,566] shares granted pursuant to the restricted share unit plan that are subject to vesting conditions, the [316,088] shares issued subsequent to June 30, 2020, any Shares which may fall to be issued upon the exercise of the [REDACTED], exercise of options or awards granted under the Share Incentive Plans or any Shares which may be issued or repurchased by our Company pursuant to the general mandates.

However, had such (i) [948,566] shares granted pursuant to the restricted share unit plan that are subject to vesting conditions and (ii) the issuance of [316,088] shares subsequent to June 30, 2022 been taken into account, such that [REDACTED] shares are in issue immediately following the completion of the [REDACTED], the unaudited pro forma adjusted net tangible assets per Share would have been [REDACTED] (equivalent to [REDACTED]) and [REDACTED] (equivalent to [REDACTED]) based on the [REDACTED] of [REDACTED] per [REDACTED] and [REDACTED] per [REDACTED], respectively.

- (5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of RMB[0.9044] to HK\$1.00. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to June 30, 2022.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2022, which is the end date of the periods reported on in the Accountant’s Report included in Appendix I to this document, and there is no event since June 30, 2022 that would materially affect the information as set out in the Accountant’s Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as disclosed above and in Notes 22 and 24 of the Accountant’s Report in Appendix I to this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See “Business – Our growth strategies” for a detailed description of our future plans.

USE OF [REDACTED]

Assuming an [REDACTED] of [REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range of between [REDACTED] and [REDACTED]), we estimate that we will receive net [REDACTED] of approximately [REDACTED] from the [REDACTED] after deducting the [REDACTED] and other estimated expenses paid and payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised.

In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- Approximately [REDACTED], or [REDACTED], will be used over the next two years to expand our store network, and increase our central kitchen capacity. In the past few years, China’s pizza market has experienced robust growth, with its total market size growing from RMB22.8 billion in 2016 to RMB33.5 billion in 2019, representing a CAGR of 13.7%, according to the Frost & Sullivan Report. Although the size of the China pizza market fell slightly to RMB30.5 billion in 2020 as a result of the impact of the COVID-19 pandemic, China’s pizza market is expected to regain momentum in 2021 and continue to expand in 2022 and beyond, with its market size expected to grow from RMB36.4 billion in 2021 to RMB68.9 billion in 2026, representing a CAGR of 13.6%. 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. In light of this significant market opportunity, we believe our focused business model makes us well-positioned to capitalize on the fast-growing China pizza market, with our established brand awareness contributing to drive long-term growth. We will both deepen our penetration in existing cities and expand our presence to new cities. 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. Specifically, we plan to open 120 and 180 new stores in 2022 and 2023 respectively, primarily in cities close to our three existing central kitchens located in Northern China, Eastern China and Southern China, as well as where our new central kitchens will be established. For details of our planned store network expansion, see “Business – Our growth strategies – Rapidly increase the number of our stores” and “Business – Our Domino’s Pizza store network – Growth of our store network”.

FUTURE PLANS AND USE OF [REDACTED]

In particular, the [REDACTED] that will be used over the next few years to expand our store network and increase our central kitchen capacity will be further divided as follows:

- Approximately [REDACTED] of our total estimated net [REDACTED], or [REDACTED], will be used over the next two years to fund the initial capital expenditure of our new stores, which is approximately [REDACTED] per store. 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. The table below sets out the expected capital expenditures for store openings in 2023 and 2024 that we intend to fund by utilizing the [REDACTED] of the [REDACTED]:

Year	Number of stores	Estimated investment amount (HK\$ in millions)	Percentage of net [REDACTED]
2023	180	[REDACTED]	[REDACTED]
2024	177*	[REDACTED]	[REDACTED]
Total	357	[REDACTED]	[REDACTED]

* Only consists of new store openings we plan to fund by utilizing the [REDACTED] of the [REDACTED].

The table below sets out the expected uses of these initial capital expenditures by usage, based on historical amounts:

Usage	Percentage of initial expenditures
Design and construction	[REDACTED]
Procurement and installation of kitchen equipment and air conditioners	[REDACTED]
Procurement of computers and related IT software	[REDACTED]
Others	[REDACTED]

- Approximately [REDACTED]% of our total estimated net [REDACTED], or [REDACTED], will be used to fund the expansion of our existing central kitchens’ capacity and establish additional one or more central kitchens over the next few years on an as-needed basis. In the short term, we plan to leverage our existing store network by initially expanding to cities that are currently covered by our central kitchens. We will expand the capacity of our existing

FUTURE PLANS AND USE OF [REDACTED]

central kitchens accordingly to meet the increasing consumer demands. Over the longer term, we plan to add more central kitchens to our network to support our growth. When new central kitchens are needed, the typical investment includes the (i) construction of such central kitchens, and (ii) procurement of kitchen equipment and other general office equipment and furniture. We believe a network of central kitchens will enable us to cost-effectively grow our supply chain in tandem with the growth of our store network. We are currently able to increase production capacity on an as-needed basis by increasing the number of shifts worked at each of the central kitchens located in Sanhe, Hebei Province, Dongguan, Guangdong Province and Shanghai. Currently, one shift is worked at each central kitchen, and adding one or two shifts would enable us to double or triple the current production capacity. Nevertheless, we plan to expand our central kitchens in Sanhe, Dongguan and Shanghai in 2022, 2023 and 2024, mainly to increase their warehousing capacity. This will provide more floor area that we can use to add new production lines to increase production capacity. We expect that, if we fully fill the new floor area provided by the expansions with new production lines, the maximum potential production capacity at each of the three central kitchens would increase by approximately 100% (assuming no increases in the number of shifts worked). The expansion of the warehouse areas in each of the three central kitchens will primarily be done by leasing adjacent sites. We do not expect the expansion works to result in any material disruption to our business operations. The table below sets out our expected spending for our central kitchen expansion plans over the next few years.

Investment projects	Estimated cost <i>(HK\$ in millions)</i>	Percentage of net [REDACTED]	Estimated timeframe of implementation
Shanghai central kitchen capacity expansion	[REDACTED]	[REDACTED]	2022-2023
Sanhe central kitchen capacity expansion	[REDACTED]	[REDACTED]	2023-2024
Dongguan central kitchen capacity expansion	[REDACTED]	[REDACTED]	2023-2024
New central kitchen	[REDACTED]	[REDACTED]	2023-2024
Total	[REDACTED]	[REDACTED]	

Note

* Only consists of investments we plan to fund by utilizing the [REDACTED] of the [REDACTED].

FUTURE PLANS AND USE OF [REDACTED]

- Approximately [REDACTED], or [REDACTED], will be used over the next two years to enhance our technology capabilities, with the goal to further improve our operational efficiency and service capabilities to enhance the customer experience. Our technology investment includes (i) strengthening our digital platforms, including our ordering, marketing and data analytics capabilities, to enable us to better serve customers through online channels; (ii) enhancing our business operation systems, including with respect to smart dispatch, staffing, training, customer service and food safety, which will enable us to further streamline our operations; (iii) refining our financial management and supply chain management systems, which will enable us to further streamline our operational efficiency; and (iv) improving our IT infrastructure to ensure the stability of our system operations and safeguard our corporate and customers’ information. See “Business – Our growth strategies – Further enhance our technology” and “Business – Our technology and data insights”. The table below sets out a breakdown of the estimated costs by nature in relation to the enhancement of our technology capabilities

Investment projects	Estimated cost <i>(HK\$ in millions)</i>	Percentage of net [REDACTED]	Estimated timeframe of implementation
Strengthening our digital platforms, including ordering, marketing and data analytics	[REDACTED]	[REDACTED]	2023
Enhancing our business operation systems, including with respect to smart dispatch, staffing, training, customer service and food safety	[REDACTED]	[REDACTED]	2023
Refining our financial management and supply chain management systems	[REDACTED]	[REDACTED]	2023
Improving our IT infrastructure, including system security and stability	[REDACTED]	[REDACTED]	2023-2024
Total	[REDACTED]	[REDACTED]	

Note

* Only consists of investments we plan to fund by utilizing the [REDACTED] of the [REDACTED].

- The remaining balance will be used for general corporate purposes.

FUTURE PLANS AND USE OF [REDACTED]

We estimate that we will receive from the [REDACTED] net [REDACTED], after deducting the [REDACTED] and estimated expenses payable by us in connection with the [REDACTED], in the amount as set out in the following table:

	Based on the low-end of the proposed [REDACTED] range of [REDACTED]	Based on the middle-end of the proposed [REDACTED] range of [REDACTED]	Based on the high-end of the proposed [REDACTED] range of [REDACTED]
Assuming the [REDACTED] is not exercised	Approximately [REDACTED]	Approximately [REDACTED]	Approximately [REDACTED]
Assuming the [REDACTED] is exercised in full	Approximately [REDACTED]	Approximately [REDACTED]	Approximately [REDACTED]

To the extent that the net [REDACTED] from the [REDACTED] (including the net [REDACTED] from the exercise of the [REDACTED]) are either more or less than expected, we may adjust our allocation of the net [REDACTED] for the above purposes on a pro rata basis.

To the extent that the net [REDACTED] of the [REDACTED] are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we will only place such funds as short-term deposits with licensed banks and/or authorized financial institutions. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANT’S REPORT

The following is the text of a report set out on pages [I-1 to I-2], received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this [REDACTED]. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200, Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[DRAFT]

[To insert the firm’s letterhead]

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DPC DASH LTD AND MERRILL LYNCH (ASIA PACIFIC) LIMITED

Introduction

We report on the historical financial information of DPC Dash Ltd (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [I-4 to I-86], which comprises the consolidated balance sheets as at December 31, 2019, 2020, 2021 and June 30, 2022, the company balance sheets as at December 31, 2019, 2020, 2021 and June 30, 2022, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [I-4 to I-86] forms an integral part of this report, which has been prepared for inclusion in the [REDACTED] of the Company dated [[●], 2022] (the “[REDACTED]”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

APPENDIX I

ACCOUNTANT’S REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at December 31, 2019, 2020, 2021 and June 30, 2022 and the consolidated financial position of the Group as at December 31, 2019, 2020, 2021 and June 30, 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2021 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board (IAASB). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

APPENDIX I

ACCOUNTANT’S REPORT

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-4] have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividends had been paid by DPC Dash Ltd in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

[[●], 2022]

APPENDIX I

ACCOUNTANT’S REPORT

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (“the Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand of RMB (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31,			Six months ended	
		2019	2020	2021	June 30,	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Revenue	5	836,629	1,104,053	1,611,327	766,559	908,789
Raw materials and consumables cost	18	(228,065)	(310,505)	(425,580)	(203,574)	(247,193)
Staff compensation expense	7	(335,873)	(469,224)	(703,458)	(342,589)	(336,908)
Depreciation of right-of-use assets	14	(98,612)	(128,426)	(162,049)	(76,574)	(90,984)
Depreciation of plant and equipment	13	(57,737)	(76,932)	(98,656)	(46,859)	(56,673)
Amortization of intangible assets	15	(36,111)	(40,210)	(43,031)	(20,842)	(23,477)
Utilities expenses		(42,963)	(53,807)	(71,702)	(33,733)	(37,305)
Advertising and promotion expenses		(61,535)	(86,274)	(121,861)	(59,625)	(53,873)
Store operation and maintenance expenses		(53,730)	(75,715)	(101,826)	(48,226)	(57,676)
Variable lease rental payment, short-term rental and other related expenses		(6,875)	(8,146)	(17,975)	(8,698)	(14,231)
Other expenses	6	(45,034)	(56,332)	(56,988)	(21,992)	(45,211)
Fair value change of financial liabilities at fair value through profit or loss ("FVPL")	25	–	(13,933)	(201,300)	(83,384)	(1,079)
Other income	8	2,421	15,910	4,424	3,134	19,889
Other (losses)/gains, net	8	(3,047)	(6,196)	(1,776)	3,229	(1,587)
Finance costs, net	9	(51,018)	(61,940)	(87,671)	(40,941)	(48,218)
Loss before income tax		<u>(181,550)</u>	<u>(267,677)</u>	<u>(478,122)</u>	<u>(214,115)</u>	<u>(85,737)</u>
Income tax (expense)/credit	10	–	(6,373)	7,059	8,892	(9,738)
Loss for the year/period attributable to owners of the Company		<u>(181,550)</u>	<u>(274,050)</u>	<u>(471,063)</u>	<u>(205,223)</u>	<u>(95,475)</u>
Other comprehensive income/(losses):						
<i>Item that may be subsequently reclassified to profit or loss</i>						
Currency translation differences	23	11	(14,646)	(7,122)	(905)	(15,498)
<i>Item that may not be subsequently reclassified to profit or loss</i>						
Currency translation differences	23	4,494	2,222	5,161	(1,321)	(13,668)
Changes in the fair value attributable to own credit risk change	23	–	(639)	(3,776)	(3,446)	(49)
Other comprehensive income/(losses) for the year/period, net of tax		<u>4,505</u>	<u>(13,063)</u>	<u>(5,737)</u>	<u>(5,672)</u>	<u>(29,215)</u>
Total comprehensive loss for the year/period attributable to owners of the Company		<u>(177,045)</u>	<u>(287,113)</u>	<u>(476,800)</u>	<u>(210,895)</u>	<u>(124,690)</u>
Loss per share for loss attributable to owners of the company						
– Basic and diluted loss per share (RMB)	11	<u>(2.14)</u>	<u>(3.21)</u>	<u>(5.42)</u>	<u>(2.38)</u>	<u>(1.00)</u>

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED BALANCE SHEETS

	<i>Note</i>	As at December 31,			As at
		2019	2020	2021	June 30,
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2022
					<i>RMB'000</i>
ASSETS					
Non-current assets					
Plant and equipment	13	283,703	361,617	427,050	432,344
Right-of-use assets	14	468,445	595,775	637,619	672,445
Intangible assets	15	1,299,234	1,284,685	1,254,006	1,241,978
Prepayment and deposits	20	28,022	31,380	31,372	36,041
Deferred income tax assets	28	–	–	28,606	38,358
		<u>2,079,404</u>	<u>2,273,457</u>	<u>2,378,653</u>	<u>2,421,166</u>
Current assets					
Inventories	18	21,090	25,677	36,517	47,217
Trade receivables	19	2,318	3,630	4,581	4,494
Prepayment, deposits and other receivables	20	55,871	85,528	84,056	55,353
Cash and cash equivalents	21(a)	83,657	257,390	656,672	576,944
Restricted cash	21(b)	817	3,034	2,215	214
		<u>163,753</u>	<u>375,259</u>	<u>784,041</u>	<u>684,222</u>
Total assets		<u>2,243,157</u>	<u>2,648,716</u>	<u>3,162,694</u>	<u>3,105,388</u>
EQUITY					
Equity attributable to owners of the Company					
Share capital	22	576,620	582,677	651,496	651,496
Share premium	22	854,976	872,366	1,143,738	1,143,738
Other reserves	23	29,671	16,608	44,006	32,855
Accumulated losses		(123,416)	(397,466)	(868,529)	(964,004)
Shares held for restricted share units (“RSUs”)	22	–	–	(12,834)	(12,834)
Total equity		<u>1,337,851</u>	<u>1,074,185</u>	<u>957,877</u>	<u>851,251</u>
LIABILITIES					
Non-current liabilities					
Borrowings	24	65,000	180,000	–	100,000
Financial liabilities at fair value through profit or loss	25	–	275,077	784,426	826,886
Lease liabilities	14	386,491	501,535	540,112	572,081
Other payables	27	80,462	40,197	31,249	6,891
		<u>531,953</u>	<u>996,809</u>	<u>1,355,787</u>	<u>1,505,858</u>
Current liabilities					
Borrowings	24	–	30,000	180,000	–
Lease liabilities	14	98,503	128,046	141,212	162,941
Trade payables	26	83,992	73,743	124,696	141,843
Contract liabilities	5(a)	11,767	17,269	23,210	27,063
Accruals and other payables	27	179,091	322,291	358,365	401,619
Current income tax liabilities		–	6,373	21,547	14,813
		<u>373,353</u>	<u>577,722</u>	<u>849,030</u>	<u>748,279</u>
Total liabilities		<u>905,306</u>	<u>1,574,531</u>	<u>2,204,817</u>	<u>2,254,137</u>
Total equity and liabilities		<u>2,243,157</u>	<u>2,648,716</u>	<u>3,162,694</u>	<u>3,105,388</u>
Net current liabilities		<u>(209,600)</u>	<u>(202,463)</u>	<u>(64,989)</u>	<u>(64,057)</u>

APPENDIX I

ACCOUNTANT’S REPORT

BALANCE SHEETS OF THE COMPANY

	<i>Note</i>	As at December 31,			As at
		2019	2020	2021	June 30,
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS					
Non-current assets					
Investments in subsidiaries	16, 30	1,707,368	1,985,736	2,319,803	2,458,009
Prepayments	20	4,883	1,957	–	–
		<u>1,712,251</u>	<u>1,987,693</u>	<u>2,319,803</u>	<u>2,458,009</u>
Current assets					
Prepayments and other receivables	20	13,880	13,330	13,084	2,819
Cash and cash equivalents	21	2,727	3,417	314,419	169,333
		<u>16,607</u>	<u>16,747</u>	<u>327,503</u>	<u>172,152</u>
Total assets		<u>1,728,858</u>	<u>2,004,440</u>	<u>2,647,306</u>	<u>2,630,161</u>
EQUITY					
Equity attributable to owners of the Company					
Share capital	22	576,620	582,677	651,496	651,496
Share premium	22	854,976	872,366	1,143,738	1,143,738
Other reserves	23	34,621	36,204	70,724	75,071
Retained earnings/ (accumulated losses)		232,513	182,830	(64,449)	(104,989)
Shares held for RSUs	22	–	–	(12,834)	(12,834)
Total equity		<u>1,698,730</u>	<u>1,674,077</u>	<u>1,788,675</u>	<u>1,752,482</u>
LIABILITIES					
Non-current liabilities					
Financial liabilities at FVPL	25	–	275,077	784,426	826,886
Other payables	27	6,318	29,780	21,305	–
		<u>6,318</u>	<u>304,857</u>	<u>805,731</u>	<u>826,886</u>
Current liabilities					
Accruals and other payables	27	7,002	6,913	30,321	26,605
Amounts due to subsidiaries		16,808	18,593	22,579	24,188
		<u>23,810</u>	<u>25,506</u>	<u>52,900</u>	<u>50,793</u>
Total liabilities		<u>30,128</u>	<u>330,363</u>	<u>858,631</u>	<u>877,679</u>
Total equity and liabilities		<u>1,728,858</u>	<u>2,004,440</u>	<u>2,647,306</u>	<u>2,630,161</u>
Net current (liabilities)/assets		<u>(7,203)</u>	<u>(8,759)</u>	<u>274,603</u>	<u>121,359</u>

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	Attributable to owners of the Company				Total equity <i>RMB’000</i>
		Share capital <i>RMB’000</i>	Share premium <i>RMB’000</i>	Other reserves <i>RMB’000</i>	Accumulated	
					(losses)/ retained profits <i>RMB’000</i>	
Balance at January 1, 2019		578,268	854,496	25,166	58,134	1,516,064
Comprehensive income						
Loss for the year		–	–	–	(181,550)	(181,550)
Other comprehensive income	23	–	–	4,505	–	4,505
Total comprehensive income		–	–	4,505	(181,550)	(177,045)
Transactions with owners						
Issuance of shares to directors for compensation	22	1,162	2,707	–	–	3,869
Issuance of shares to shareholders for services	22	8,210	20,509	–	–	28,719
Repurchase of ordinary shares	22	(11,020)	(22,736)	–	–	(33,756)
Total transactions with owners		(1,648)	480	–	–	(1,168)
Balance at December 31, 2019		576,620	854,976	29,671	(123,416)	1,337,851

APPENDIX I

ACCOUNTANT’S REPORT

	<i>Note</i>	Attributable to owners of the Company				Total equity <i>RMB’000</i>
		Share capital	Share premium	Other reserves	Accumulated losses	
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	
Balance at January 1, 2020		576,620	854,976	29,671	(123,416)	1,337,851
Comprehensive income						
Loss for the year		–	–	–	(274,050)	(274,050)
Change in fair value of convertible senior ordinary shares due to credit risk changes	23	–	–	(639)	–	(639)
Other comprehensive loss	23	–	–	(12,424)	–	(12,424)
Total comprehensive income		<u>–</u>	<u>–</u>	<u>(13,063)</u>	<u>(274,050)</u>	<u>(287,113)</u>
Transactions with owners						
Issuance of shares to directors for compensation	22	1,932	7,325	–	–	9,257
Issuance of shares to a shareholder for services	22	4,125	10,065	–	–	14,190
Total transactions with owners		<u>6,057</u>	<u>17,390</u>	<u>–</u>	<u>–</u>	<u>23,447</u>
Balance at December 31, 2020		<u>582,677</u>	<u>872,366</u>	<u>16,608</u>	<u>(397,466)</u>	<u>1,074,185</u>

APPENDIX I

ACCOUNTANT’S REPORT

		Attributable to owners of the Company					
		Shares				Accumulated	Total
	Note	Share capital	Share premium	held for RSUs	Other reserves	losses	equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at							
		582,677	872,366	–	16,608	(397,466)	1,074,185
Comprehensive income							
		–	–	–	–	(471,063)	(471,063)
	23	–	–	–	(3,776)	–	(3,776)
	23	–	–	–	(1,961)	–	(1,961)
Total comprehensive income							
		–	–	–	(5,737)	(471,063)	(476,800)
Transactions with owners							
Issuance of shares to directors for compensation							
	22	1,699	6,149	–	–	–	7,848
Issuance of shares to a shareholder for services							
	22	3,947	9,512	–	–	–	13,459
Issuance of ordinary shares, net of issuance cost							
	22	37,504	218,843	–	–	–	256,347
Issuance of ordinary shares for RSUs							
	29	25,669	–	(25,669)	–	–	–
Transfer of vested RSUs							
	29	–	36,868	12,835	(49,703)	–	–
Share-based compensation expenses for employees							
	29	–	–	–	82,838	–	82,838
Total transactions with owners							
		68,819	271,372	(12,834)	33,135	–	360,492
Balance at							
		651,496	1,143,738	(12,834)	44,006	(868,529)	957,877

APPENDIX I

ACCOUNTANT’S REPORT

		Attributable to owners of the Company					
		Shares					
<i>Note</i>	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	held for RSUs <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total equity <i>RMB'000</i>	
(Unaudited)							
	Balance at January 1, 2021	582,677	872,366	–	16,608	(397,466)	1,074,185
	Comprehensive income						
	Loss for the period	–	–	–	–	(205,223)	(205,223)
	Change in fair value of convertible senior ordinary shares due to credit risk changes	23	–	–	(3,446)	–	(3,446)
	Other comprehensive loss	23	–	–	(2,226)	–	(2,226)
	Total comprehensive income	<u>–</u>	<u>–</u>	<u>–</u>	<u>(5,672)</u>	<u>(205,223)</u>	<u>(210,895)</u>
	Transactions with owners						
	Share-based compensation expenses for employees	29	–	–	66,704	–	66,704
	Total transactions with owners	<u>–</u>	<u>–</u>	<u>–</u>	<u>66,704</u>	<u>–</u>	<u>66,704</u>
	Balance at June 30, 2021	<u>582,677</u>	<u>872,366</u>	<u>–</u>	<u>77,640</u>	<u>(602,689)</u>	<u>929,994</u>

APPENDIX I

ACCOUNTANT’S REPORT

		Attributable to owners of the Company					
		Shares					
	Note	Share capital	Share premium	held for RSUs	Other reserves	Accumulated losses	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2022		651,496	1,143,738	(12,834)	44,006	(868,529)	957,877
Comprehensive income							
Loss for the period		-	-	-	-	(95,475)	(95,475)
Change in fair value of convertible senior ordinary shares due to credit risk changes	23	-	-	-	(49)	-	(49)
Other comprehensive loss	23	-	-	-	(29,166)	-	(29,166)
Total comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,215)</u>	<u>(95,475)</u>	<u>(124,690)</u>
Transactions with owners							
Share-based compensation expenses for employees	29	-	-	-	18,064	-	18,064
Total transactions with owners		<u>-</u>	<u>-</u>	<u>-</u>	<u>18,064</u>	<u>-</u>	<u>18,064</u>
Balance at June 30, 2022		<u>651,496</u>	<u>1,143,738</u>	<u>(12,834)</u>	<u>32,855</u>	<u>(964,004)</u>	<u>851,251</u>

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended December 31,			Six months ended	
		2019	2020	2021	June 30,	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Cash flows from operating activities						
Cash generated from operations	31(a)	124,347	103,543	338,462	163,848	193,796
Income tax paid		–	–	(6,373)	(6,373)	(26,223)
Net cash generated from operating activities		<u>124,347</u>	<u>103,543</u>	<u>332,089</u>	<u>157,475</u>	<u>167,573</u>
Cash flows from investing activities						
Purchase of plant and equipment		(155,172)	(127,602)	(170,781)	(83,563)	(61,164)
Purchase of intangible assets		(27,650)	(30,864)	(14,029)	(7,803)	(7,868)
Interest received		1,594	1,159	1,860	1,008	890
Proceeds from disposal of plant and equipment	31(b)	–	4,899	1,210	894	–
Net cash used in investing activities		<u>(181,228)</u>	<u>(152,408)</u>	<u>(181,740)</u>	<u>(89,464)</u>	<u>(68,142)</u>
Cash flows from financing activities						
Proceeds from issuance of convertible senior ordinary shares	31(d)	–	282,757	316,693	258,835	–
Rental deposit payment		(7,693)	(11,542)	(9,302)	(3,093)	(3,917)
Proceeds from borrowings	31(d)	65,000	145,000	–	–	100,000
Repayment to borrowings	31(d)	–	–	(30,000)	(10,000)	(180,000)
Payment of principal element of lease liabilities	31(d)	(88,717)	(112,443)	(147,044)	(66,088)	(70,546)
Payment of interest element of lease liabilities	31(d)	(29,713)	(37,360)	(48,659)	(23,672)	(26,326)
Interests paid	31(d)	–	(9,609)	(14,563)	(7,535)	(8,824)
Installment for franchise agreement	31(d)	(13,952)	(13,050)	(76,508)	(12,736)	–
Issuance cost of convertible senior ordinary shares and ordinary shares		–	(10,226)	(8,049)	(1,368)	–
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Proceeds from issuance of ordinary shares	22	68	42	260,692	–	–
Net cash (used in)/generated from financing activities		<u>(75,007)</u>	<u>233,569</u>	<u>242,985</u>	<u>134,343</u>	<u>(191,216)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(131,888)</u>	<u>184,704</u>	<u>393,334</u>	<u>202,354</u>	<u>(91,785)</u>
Cash and cash equivalents at beginning of year/period	21	216,862	83,657	257,390	257,390	656,672
Exchange difference on cash and cash equivalents		(1,317)	(10,971)	5,948	1,957	12,057
Cash and cash equivalents at end of year/period	21	<u>83,657</u>	<u>257,390</u>	<u>656,672</u>	<u>461,701</u>	<u>576,944</u>

APPENDIX I

ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(All amounts in RMB Yuan unless otherwise stated)

1 GENERAL INFORMATION

DPC Dash Ltd (the “Company”) (previously named Dash Brands Ltd.) is a limited liability company incorporated in British Virgin Islands on April 30, 2008. The address of its registered office is Kingston Chambers, P.O. Box 173 Road Town, Tortola, British Virgin Islands.

The Company, an investment holding company, and its subsidiaries (collectively, the “Group”) are principally engaged in the operation of fast food restaurant chains in the People’s Republic of China (the “PRC”).

Dash DPZ China Limited (“DPZ China”) held 100% equity interests in Pizzavest China Ltd., which was Domino’s Pizza’s master franchisee in Mainland China, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China.

Before July 2017, DPZ China was jointly controlled by the Company and a third party. In July 2017, the Company issued additional shares to the third party to acquire the remaining equity interests in DPZ China (the “Acquisition”). After the Acquisition, DPZ China became a wholly-owned subsidiary of the Company.

The master franchise agreement with Domino’s Pizza International Franchising Inc. (“DPIF”) provides the Group with the exclusive right to develop and operate Domino’s Pizza stores and to use and license Domino’s system and the associated trademarks in the operation of the pizza stores in Mainland China, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China. The term of the master franchise agreement continues until June 1, 2027 and is renewable for two additional 10-year terms, subject to the fulfilment of certain conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). The Historical Financial Information have been prepared under the historical cost convention, as modified by the revaluation of certain financial liabilities at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning January 1, 2022, are consistently applied by the Group throughout the Track Record Period.

(a) *New standards and amendments to standards and interpretations not yet adopted*

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

New/amended standards	Effective for annual periods beginning on or after	
IFRS 17	Insurance Contracts	January 1, 2023
IAS 1 (Amendments)	Classification of liabilities as current or non-current	January 1, 2023

APPENDIX I

ACCOUNTANT’S REPORT

New/amended standards		Effective for annual periods beginning on or after
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies	January 1, 2023
IAS 8 (Amendments)	Definition of accounting estimates	January 1, 2023
IAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and annual improvements. According to the preliminary assessment made by the directors of the Company (the “Directors”), no significant impact on the financial performance and position of the Group is expected when they become effective.

2.2 Going concern

As of December 31, 2019, 2020, 2021 and June 30, 2022, the Group recorded net current liabilities of approximately RMB209,600,000, RMB202,463,000, RMB64,989,000 and RMB64,057,000, respectively. For the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022, the Group had net losses of RMB181,550,000, RMB274,050,000, RMB471,063,000, and RMB95,475,000, and net cash inflows from operating activities amounting to approximately RMB124,347,000, RMB103,543,000, RMB332,089,000, and RMB167,573,000, respectively.

The directors of the Company have reviewed the Group’s cash flow forecast, which covers a period of not less than twelve months from June 30, 2022. In preparing the cash flow forecast, the directors have considered the Group’s capital expenditures plans (including the new stores opening plan in the forecast period), estimated cash flows provided by operations, existing cash on hand and other available source of funds. Based on review of the cash flow forecast, the directors believe that the Group has sufficient funds to meet its liabilities and continue its operations for at least twelve months from June 30, 2022.

Accordingly, the Historical Financial Information have been prepared on the basis that the Group will continue as a going concern.

2.3 Subsidiaries

2.3.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note (a)).

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, statements of changes in equity and balance sheet respectively.

APPENDIX I

ACCOUNTANT'S REPORT

(a) *Business combinations*

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the following, if applicable:

- fair value of the the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

2.3.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Historical Financial Information of the investee's net assets including goodwill.

APPENDIX I

ACCOUNTANT’S REPORT

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Company who make strategic decisions.

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of the Company is United States Dollars (“US\$”). The functional currency of the Group’s subsidiaries incorporated in Cayman Islands and Hong Kong is US\$. The Group’s PRC subsidiaries determined their functional currency to be RMB. The Historical Financial Information are presented in RMB as the major operations of the Group are conducted in the PRC.

(b) *Transaction and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income within “finance cost”. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within “other (losses)/gains, net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each consolidated statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- (iii) all resulting currency translation differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognized in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange currency translation arising from the translation of any net investment in foreign entities are recognized in other comprehensive income.

APPENDIX I

ACCOUNTANT’S REPORT

2.6 Plant and equipment

All plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of the plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the lease terms or useful life of 6 years, whichever the shorter
Machinery and equipment	5-10 years
Office equipment	5 years
Motor vehicles	5 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within “other (losses)/gains, net” in the consolidated statements of comprehensive income.

2.7 Construction in progress

Construction in progress represents furniture and fixtures, equipment and leasehold improvements under construction or installation. Construction in progress is stated at cost less accumulated impairment losses, if any. Cost includes construction costs, installation costs that are eligible for capitalization and other costs necessary to bring the plant, equipment and leasehold improvements ready for their intended use. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to plant and equipment and depreciated in accordance with the policies as stated in note 2.6.

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Group’s interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the amount of the non-controlling interest in the acquiree. Goodwill on acquisition of subsidiaries is included in intangible assets.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (“CGUs”), that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Master franchise agreement

Master franchise agreement (“MFA”) acquired in a business combination are recognized at fair value at the acquisition date. Master franchise agreement are amortized on the straight-line basis over estimated useful lives of 30 years, which is also the contractual term of the master franchise agreement with renewal terms considered.

APPENDIX I

ACCOUNTANT’S REPORT

The Group should pay additional store franchise fee for each new opening store. Store franchise fee are recognized at cost and amortized on the straight-line bases over estimated operation period of the new store.

According to the MFA, royalty fees are based on a fixed percentage of revenue and the expenses are recognized in “Store operation and maintenance expenses” as incurred.

(c) Acquired software and website

The acquired software and website is well-developed and used for the Group’s financial reporting and business operation. The acquired software and website are recognized at cost and amortized on a straight-line basis over the estimated useful lives of 1-10 years, representing the management’s best estimates after considering the current functionalities equipped by these software and website, the daily operation needs of the Group and the authorized use period of the acquired software and website.

(d) Self-developed website and app

Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the website and app so that it will be available for use; (b) management intends to complete the website and app and use or sell it; (c) there is an ability to use or sell the website and app; (d) it can be demonstrated how the website and app will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the website and app are available; and (f) the expenditure attributable to the website and app during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred.

The Group capitalized development expenditure of self-developed website and app which are developed for pizza ordering. The Group can use and maintain the website and app (with minor upgrades) as long as it can meet the customer’s pizza ordering needs. The self-developed website and app are recognized at cost and amortized on a straight-line basis over the estimated useful lives of 10 years, representing the management’s best estimates after considering the current functionalities equipped by these self-developed website and app and the daily operation needs of the Group.

Research expenditure and development expenditure that do not meet the criteria above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

2.9 Impairment of non-financial assets

Goodwill that has an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- Those to be measured at amortized cost.

APPENDIX I

ACCOUNTANT’S REPORT

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(d) Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in “other (losses)/gains, net” together with foreign exchange gains and losses.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in “other (losses)/gains, net”. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in “other (losses)/gains, net”.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within “other (losses)/gains, net” in the period in which it arises.

(e) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at a amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

(f) Derecognition

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and reward of ownership.

APPENDIX I

ACCOUNTANT'S REPORT

(g) Offset

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of inventories comprises food ingredients, beverages consumables and other direct costs. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade and other receivables

Trade receivables primarily are amounts due from third-party platforms in connection with the sales of our products in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See notes 19 and 20 for further information about the Group's trade receivables and other receivables, and note 3.1(b) for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Trade and other payables are presented as current liabilities unless payment is not due within 12 months (or in the normal operating cycle of the business if longer) after the reporting period.

2.16 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

APPENDIX I

ACCOUNTANT'S REPORT

Borrowings are removed from the balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

2.18 Convertible senior ordinary shares

The Group issued convertible senior ordinary shares which give holders a right for redemption into cash after specified time or a right for conversion into ordinary shares of the Company upon initial public offering ("IPO") automatically or any time at holders' option. The convertible senior ordinary shares will be automatically converted into ordinary shares upon occurrence of certain events outside the control of the Company.

The Group designates convertible senior ordinary shares as financial liabilities at FVPL. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as expense in profit or loss.

Subsequent to initial recognition, the convertible senior ordinary shares are carried at fair value with changes in fair value recognized as "fair value change of financial liabilities at FVPL" in the consolidated statements of comprehensive income. The component of fair value changes relating to the Company's own credit risk is recognized in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling to profit or loss, but are transferred to retained earnings when realized.

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liabilities is settled.

APPENDIX I

ACCOUNTANT’S REPORT

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current income tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.20 Employee benefits

(a) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(b) *Pension obligations*

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees’ salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees’ payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

(c) *Housing funds, medical insurances and other social insurances*

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group’s liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

2.21 Share-based compensations

The Group operates share incentive plan, under which it receives services from directors, employees and a shareholder as consideration for equity instruments (including directors’ compensation, stock appreciation rights and RSUs) of the Group. The fair value of the services received in exchange for the grant of the equity instruments (directors’ compensation, stock appreciation rights and RSUs) is recognized as an expense in the consolidated statements of comprehensive income.

(a) *Stock appreciation rights (“SAR”)*

On January 1, 2018, the Company adopted the SAR to encourage key employees and directors to contribute to the success of the Group and to operate and manage the Group’s business in a manner that will provide for the Group’s long-term growth and profitability.

Liabilities for the Group’s share appreciation rights are recognized as employee benefit expense over the relevant service period. At the end of each reporting period, the Group remeasures the exit equity value based on the fair market value of the Group. The expenses are recognized as “staff compensation expense” in profit or loss, with a corresponding increase in “accruals and other payables” as included in liability.

APPENDIX I

ACCOUNTANT’S REPORT

(b) *RSUs*

For grant of RSUs, the total amount to be expensed is determined by reference to the fair value of the RSUs granted.

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting condition; and
- including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(c) *Cancellations of stock appreciation rights*

Where the Group cancels the stock appreciation rights it should derecognize the liability. Any difference between the carrying amount of the liability and the consideration paid to cancel the share-based compensation (if any) should be recognized in profit or loss. By the end of June 30, 2022, the Group has cancelled the stock appreciation rights for all existing employees.

2.22 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.23 Revenue recognition

The Group recognizes revenue when control of goods have been transferred and services have been rendered.

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group’s activities. Revenue is shown net of returns, value-added tax and discounts, and after eliminating sales within the Group.

The Group generates revenue from sales of food and beverages through self-developed website and app, third-party platforms and retail stores. Sales of food and beverages are recognized at point in time upon when food and beverages are accepted by customers.

The Group establishes a customer loyalty incentive program which customers can earn award credits from each order. The award credits can be redeemed to deduct payment in next order. The Group also provides coupons to customer for compensation of late delivery, which can be redeemed for free food in the next order. Award credits and coupons for customers are accounted for as separate performance obligations and the fair value of the consideration received or receivable is allocated among the food and beverage sold, award credits and coupons based on their stand-alone selling price (“SSP”). The SSP of the food and beverage is directly observable and determined by the price that they are sold separately. The SSP of award credits and coupons is measured by reference to the amount for which the award credits and coupons could be sold separately considering the breakage based on the Group’s best estimation. Such consideration is not recognized as revenue at the time of the initial sale transaction, but is deferred in “contract liabilities” and recognized as revenue when the award credits and coupons are redeemed and the Group’s obligations have been fulfilled.

APPENDIX I

ACCOUNTANT'S REPORT

Any consideration payable to customers with no distinct goods or services received from those customers is recognized as a reduction of the revenue.

2.24 Interest income

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in the consolidated statements of comprehensive income as part of "finance costs, net".

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purpose.

2.25 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.26 Leases

The Group leases various offices, central kitchens and retail stores. Rental contracts of offices, central kitchens and retail stores are typically made for fixed periods of 3 to 6 years, 5 to 10 years and 5 to 6 years respectively but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (if applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

APPENDIX I

ACCOUNTANT’S REPORT

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following (if applicable):

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases of equipments and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipments and small items of office furniture.

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (“lease modification”) that is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in IFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in IFRS 16 and recognized the change in consideration as if it were not a lease modification.

2.27 Dividend distribution

Dividend distribution to the Company’s shareholders is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by the Company’s shareholders or directors, where appropriate.

APPENDIX I

ACCOUNTANT’S REPORT

2.28 Losses per share

(a) Basic losses per share

Basic losses per share is calculated by dividing:

- by the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted losses per share

Diluted losses per share adjusts the figures used in the determination of basic losses per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. Risk management is carried out by the Broad of Directors.

(a) Market risk

(i) Foreign exchange risk

The Group’s businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. During the Track Record Period, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

The following table shows the denominated monetary assets held by the Group which are denominated in a currency other than the functional currency of the respective group activities:

	Functional currency	Currency denomination	As of December 31,			As of June 30,	
			2019 RMB’000	2020 RMB’000	2021 RMB’000	2021 RMB’000	2022 RMB’000
Cash and cash equivalents	US\$	RMB	3,661	3,493	2,096	3,495	2,095
Cash and cash equivalents	RMB	US\$	181	24,994	44,625	304	590
			<u>3,842</u>	<u>28,487</u>	<u>46,721</u>	<u>3,799</u>	<u>2,685</u>

As at December 31, 2019, if US\$ had strengthened/weakened by 5% against the RMB, with all other variables held constant, loss before income tax for the year would have been RMB174,000 higher/lower respectively, mainly as a result of the net foreign exchange losses/gains on translation of RMB-denominated cash and cash equivalents.

APPENDIX I

ACCOUNTANT’S REPORT

As at December 31, 2020 and 2021, if US\$ had strengthened/weakened by 5% against the RMB, with all other variables held constant, loss before income tax for the year would have been RMB1,075,000 and RMB2,126,000 lower/higher respectively, mainly as a result of the net foreign exchange gains/loss on translation of US\$-denominated cash and cash equivalents.

As at June 30, 2021 and 2022, if US\$ had strengthened/weakened by 5% against the RMB, with all other variables held constant, loss before income tax for the year would have been RMB160,000 and RMB75,000 higher/lower respectively, mainly as a result of the net foreign exchange losses/gains on translation of RMB-denominated cash and cash equivalents.

(ii) Interest rate risk

The Group’s interest rate risk mainly arises from borrowings, cash and cash equivalents and financial liabilities measured at FVPL. As at June 30, 2022, all of the Group’s borrowings are obtained at variable rates and expose the Group to cash flow interest-rate risk. As at December 31, 2019, 2020 and 2021, all of the Group’s borrowings were obtained at fixed rates and exposed the Group to fair value interest rate risk. The Group does not hedge its cash flow and fair value interest rate risk. Financial liabilities measured at FVPL expose the Group to fair value interest rate risk before conversion into ordinary shares. Please refer to Notes 24 and 25 for the details of these financial liabilities.

As at December 31, 2019, 2020, 2021 and June 30, 2022, if the Group’s interest rates on borrowings obtained at variable rates had been higher/lower by 0.5%, loss before income tax for the year then ended would have been approximately nil, nil, nil, nil and RMB6,000 higher/lower respectively.

(b) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, restricted cash, rental and other deposits. The carrying amounts of each financial asset represent the Group’s maximum exposure to credit risk in relation to financial assets.

(i) Risk management

The Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

The Group’s cash and cash equivalents and restricted cash were deposited with high quality financial and other institutions with sound credit ratings. Therefore, the Group does not expect material losses arising from non-performance by these counterparties.

For rental deposits, the Group signed lease contracts with big department stores and real estate management companies. The Group assessed that most of the underlying lease contracts grant the Group, as a lessee, the contractual right to continue occupying the corresponding premises if the landlord does not refund these rental and other deposits at the end of the lease terms. Hence, the Group does not expect material losses arising from non-performance by these counter parties.

(ii) Impairment of financial assets

Cash and cash equivalents and restricted cash

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of IFRS 9, management considered the expected credit loss rates to be immaterial and the identified impairment loss was immaterial as substantially all of the Group’s bank deposits were deposited with major financial and other institutions which management believes are of high-credit-quality without significant credit risk.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

APPENDIX I

ACCOUNTANT’S REPORT

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022 respectively and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of China in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivable are presented net of allowance for doubtful accounts. The Group maintains an allowance for doubtful accounts which reflects its best estimate of amounts that potentially will not be collected. The Group determines the allowance for doubtful accounts by taking into consideration various factors including but not limited to historical collection experience and creditworthiness of customers. Trade receivable balances are written off after all collection efforts have been exhausted.

On that basis, the loss allowance at December 31, 2019, 2020, 2021 and June 30, 2022 was determined as follows.

Aging as at December 31, 2019	Within 30 days	Total
Expected loss rate	2.07%	2.07%
Gross carrying amount	2,367	2,367
	<u> </u>	<u> </u>
Loss allowance	(49)	(49)
	<u> </u>	<u> </u>
Aging as at December 31, 2020	Within 30 days	Total
Expected loss rate	2.18%	2.18%
Gross carrying amount	3,711	3,711
	<u> </u>	<u> </u>
Loss allowance	(81)	(81)
	<u> </u>	<u> </u>
Aging as at December 31, 2021	Within 30 days	Total
Expected loss rate	1.76%	1.76%
Gross carrying amount	4,663	4,663
	<u> </u>	<u> </u>
Loss allowance	(82)	(82)
	<u> </u>	<u> </u>
Aging as at June 30, 2022	Within 30 days	Total
Expected loss rate	2.39%	2.39%
Gross carrying amount	4,604	4,604
	<u> </u>	<u> </u>
Loss allowance	(110)	(110)
	<u> </u>	<u> </u>

APPENDIX I

ACCOUNTANT’S REPORT

Movements in the loss allowances for trade receivables are as follows:

	Year ended December 31,			Six months ended	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening loss allowance at January 1	(16)	(49)	(81)	(81)	(82)
Increase in the allowance recognized in profit or loss during the year/period	(33)	(32)	(1)	(4)	(28)
Closing loss allowance as at December 31/ June 30	(49)	(81)	(82)	(85)	(110)

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Impairment losses on trade receivables are presented within other (losses)/gains, net. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortized cost

The Group’s other financial assets carried at amortized cost include rental deposits in the consolidated balance sheets. The impairment loss of rental deposits is measured based on the twelve months expected credit loss. The twelve months expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counter-parties’ ability to meet its obligation;
- actual or expected significant changes in the operating results of the counter-parties;
- significant changes in the expected performance and behaviour of the counter-parties, including changes in the payment status of the counter parties.

APPENDIX I

ACCOUNTANT’S REPORT

The loss allowance as at December 31, 2019, 2020, 2021 and June 30, 2022 was determined as follows for other financial assets:

Aging as at December 31, 2019	Current	Non-current	Total
Expected loss rate	1.01%	0.73%	0.77%
Gross carrying amount – Rental deposits	1,806	22,880	24,686
Gross carrying amount – Others	1,576	–	1,576
	<u> </u>	<u> </u>	<u> </u>
Loss allowance	(34)	(167)	(201)
	<u> </u>	<u> </u>	<u> </u>
Aging as at December 31, 2020	Current	Non-current	Total
Expected loss rate	0.84%	1.33%	1.23%
Gross carrying amount – Rental deposits	4,563	29,490	34,053
Gross carrying amount – Others	2,718	–	2,718
	<u> </u>	<u> </u>	<u> </u>
Loss allowance	(61)	(391)	(452)
	<u> </u>	<u> </u>	<u> </u>
Aging as at December 31, 2021	Current	Non-current	Total
Expected loss rate	0.84%	1.26%	1.15%
Gross carrying amount – Rental deposits	9,061	31,773	40,834
Gross carrying amount – Others	2,544	–	2,544
	<u> </u>	<u> </u>	<u> </u>
Loss allowance	(97)	(401)	(498)
	<u> </u>	<u> </u>	<u> </u>
Aging as at June 30, 2022	Current	Non-current	Total
Expected loss rate	1.18%	1.13%	1.14%
Gross carrying amount – Rental deposits	8,327	36,452	44,779
Gross carrying amount – Others	3,349	–	3,349
	<u> </u>	<u> </u>	<u> </u>
Loss allowance	(138)	(411)	(549)
	<u> </u>	<u> </u>	<u> </u>

APPENDIX I

ACCOUNTANT’S REPORT

Movements in the loss allowance for other financial assets at amortized cost are as follows:

	Rental deposits	Others	Total
Opening loss allowance as at January 1, 2019	–	–	–
Increase in the allowance recognized in profit or loss during the year	<u>(177)</u>	<u>(24)</u>	<u>(201)</u>
Closing loss allowance as at December 31, 2019	<u>(177)</u>	<u>(24)</u>	<u>(201)</u>
Increase in the allowance recognized in profit or loss during the year	<u>(241)</u>	<u>(10)</u>	<u>(251)</u>
Closing loss allowance as at December 31, 2020	<u>(418)</u>	<u>(34)</u>	<u>(452)</u>
Decrease/(increase) in the allowance recognized in profit or loss during the year	<u>17</u>	<u>(63)</u>	<u>(46)</u>
Closing loss allowance as at December 31, 2021	<u>(401)</u>	<u>(97)</u>	<u>(498)</u>
(Unaudited)			
Opening loss allowance as at 1 January 2021	(418)	(34)	(452)
Decrease/(increase) in the allowance recognized in profit or loss during the period	<u>83</u>	<u>(64)</u>	<u>19</u>
Closing loss allowance as at 30 June 2021	<u>(335)</u>	<u>(98)</u>	<u>(433)</u>
Opening loss allowance as at 1 January 2022	(401)	(97)	(498)
Increase in the allowance recognised in profit or loss during the period	<u>(10)</u>	<u>(41)</u>	<u>(51)</u>
Closing loss allowance as at 30 June 2022	<u>(411)</u>	<u>(138)</u>	<u>(549)</u>

APPENDIX I

ACCOUNTANT’S REPORT

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by maintaining adequate amount of cash and cash equivalents.

The table below analyzes the Group’s non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet dates to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
As at December 31, 2019					
Borrowings and interest payments	7,854	35,870	38,422	–	82,146
Lease liabilities and interest payments	128,479	118,837	105,490	228,141	580,947
Trade payables (note 26)	83,992	–	–	–	83,992
Accrual and other payables (excluding salary and welfare payables and provision for restoration costs)	116,522	83,714	–	–	200,236
	<u>336,847</u>	<u>238,421</u>	<u>143,912</u>	<u>228,141</u>	<u>947,321</u>
As at December 31, 2020					
Borrowings and interest payments	44,190	189,570	–	–	233,760
Lease liabilities and interest payments	199,944	187,968	165,403	369,189	922,504
Trade payables (note 26)	73,743	–	–	–	73,743
Accrual and other payables (excluding salary and welfare payables and provision for restoration costs)	249,039	–	–	–	249,039
Financial liabilities at FVPL (note 25)	–	–	–	417,696	417,696
	<u>566,916</u>	<u>377,538</u>	<u>165,403</u>	<u>786,885</u>	<u>1,896,742</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
As at December 31, 2021					
Borrowings and interest payments	189,570	–	–	–	189,570
Lease liabilities and interest payments	211,510	190,724	164,054	353,989	920,277
Trade payables (note 26)	124,696	–	–	–	124,696
Accrual and other payables (excluding salary and welfare payables and provision for restoration costs)	236,276	–	–	–	236,276
Financial liabilities at FVPL (note 25)	–	–	857,022	–	857,022
	<u>762,052</u>	<u>190,724</u>	<u>1,021,076</u>	<u>353,989</u>	<u>2,327,841</u>
As at June 30, 2022					
Borrowings and interest payments	4,850	4,850	103,651	–	113,351
Lease liabilities and interest payments	218,469	186,384	155,861	333,058	893,772
Trade payables (note 26)	141,843	–	–	–	141,843
Accrual and other payables (excluding salary and welfare payables and provision for restoration costs)	296,241	–	–	–	296,241
Financial liabilities at FVPL (note 25)	–	902,146	–	–	902,146
	<u>661,403</u>	<u>1,093,380</u>	<u>259,512</u>	<u>333,058</u>	<u>2,347,353</u>

3.2 Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or draw down of new borrowings.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowing divided by total equity.

APPENDIX I

ACCOUNTANT’S REPORT

The gearing ratios at December 31, 2019, 2020, 2021 and June 30, 2022 were as follows:

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB’000	RMB’000	RMB’000	2022
				RMB’000
Total borrowing	65,000	210,000	180,000	100,000
Total equity	1,337,851	1,074,185	957,877	851,251
Gearing ratio	5%	20%	19%	12%

3.3 Fair value measurement

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The following table summarizes the level inputs information of financial liabilities at December 31, 2019, 2020, 2021 and June 30, 2022.

	As at December 31,						As at June 30,					
	2019			2020			2021			2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	inputs	inputs	inputs	inputs	inputs	inputs	inputs	inputs	inputs	inputs	inputs	inputs
Convertible senior ordinary shares	-	-	-	-	-	275,077	-	-	784,426	-	-	826,886

Please refer to Note 25 for the methodology and key assumptions as adopted by management in determining the fair value of these financial liabilities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Historical Financial Information requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group’s accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the group of CGUs to which goodwill has been allocated.

APPENDIX I

ACCOUNTANT'S REPORT

For the purposes of impairment testing, goodwill has been allocated to the group of CGUs that is expected to generate future economic benefits.

The recoverable amount of the group of CGUs of the Group are determined based on value-in-use calculations. Detailed information of the basis of recoverable amounts and major underlying assumptions are set out in note 15. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the recoverable amounts of the group of CGUs to fall below their carrying amounts.

(b) Estimated useful lives and residual values of plant and equipment and intangible assets

The Group's management determines the estimated useful lives and residual values for the Group's plant and equipment and intangible assets. The estimates are based on the historical experience of the actual useful lives of plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortization charges where useful lives are less than previously estimated lives. It will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortizable lives and therefore affect the depreciation and amortization charges in future periods.

(c) Impairment of plant and equipment, master franchise agreement and right-of-use assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, including, among others, the economic impact of the unprecedented COVID-19 pandemic on the operations of the Group and the region in which it operates. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(d) Current and deferred income taxes

The Group is subject to income taxes in a few jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the current and deferred income tax assets and liabilities in the period in which such determination is made.

Recognition of deferred income tax assets depends on the management's expectation of future taxable profit that will be available against which the deferred income tax assets can be utilized. The outcome of their actual utilization may be different.

(e) Determination of fair value of the convertible senior ordinary shares

The convertible senior ordinary shares are not traded in an active market and their fair value is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting periods. For details of the key assumptions used and the impact of changes to these assumptions, refer to Note 25.

(f) Recognition of share-based compensation expense

Significant estimates of stock appreciation rights on key assumptions are required to be made by management in determining the exit equity value of the Company, the probability weight of redemption scenario occurrence and IPO scenario occurrence. Significant estimates of restricted share units on key assumptions are also required to be made by management in determining the fair value of the issued shares at grant date and each balance sheet dates, including revenue growth rate, pre-tax discount rate and terminal growth rate.

APPENDIX I

ACCOUNTANT’S REPORT

5 REVENUE AND SEGMENT INFORMATION

The Group is Domino’s Pizza’s exclusive master franchisee in Mainland China, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China.

The CODM has been identified as the directors of the Company. The directors review the Group’s internal reporting in order to assess performance and allocate resources. The directors have determined the operating segment based on these internal reports.

The directors consider the Group’s operation from a business perspective and determine that the Group is managed as one single reportable operating segment.

During the Track Record Period, all the Group’s revenue are generated from Mainland China.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
Revenue from sales of goods and services recognized					
– at a point in time	836,629	1,104,053	1,611,327	766,559	908,789

(a) Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB’000	RMB’000	RMB’000	2022
				RMB’000
Contract liabilities	11,767	17,269	23,210	27,063

The increase during the years ended December 31, 2020, 2021 and the six months ended June 30, 2022 was due to increase of sale-based estimated award credits arising from the customer loyalty scheme and coupons for compensation of late delivery, both of which can be used in future purchases and consumptions in the stores.

(i) Revenue recognized in relation to contract liabilities

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year/period	6,047	11,730	17,202	8,551	11,502

Each order with customers is considered as a contract. All contracts entered by the Group are for periods one year or less. The Group has applied the practical expedient as permitted by IFRS 15 and the transaction price allocated to the remaining performance obligations is not disclosed.

APPENDIX I

ACCOUNTANT’S REPORT

(b) Non-current assets by geographical location

As of December 31, 2019, 2020, 2021 and June 30, 2022, most of the Group’s non-current assets (other than intangible assets) were located in Mainland China.

6 OTHER EXPENSES

An analysis of other expenses is as follow:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
	<i>(Unaudited)</i>				
Professional service expenses	9,761	9,465	7,797	3,702	4,506
Auditor’s remuneration	1,476	1,946	2,301	1,153	1,420
Telecommunication and information technology related expenses	14,853	23,183	16,583	7,939	12,111
Travelling and related expenses	12,587	13,826	9,782	4,605	3,144
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	6,357	7,912	10,229	4,593	7,431
	<u>45,034</u>	<u>56,332</u>	<u>56,988</u>	<u>21,992</u>	<u>45,211</u>

7 STAFF COMPENSATION EXPENSE (INCLUDING DIRECTOR SERVICE FEES)

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
	<i>(Unaudited)</i>				
Salaries, wages and bonuses	284,070	383,022	536,356	257,132	294,560
Contributions to pension plan (a)	17,399	16,255	32,730	14,299	20,141
Housing fund, medical insurance and other social insurance	19,395	28,552	36,768	16,515	21,944
Other benefits	6,077	8,193	6,783	3,959	3,601
	<u>326,941</u>	<u>436,022</u>	<u>612,637</u>	<u>291,905</u>	<u>340,246</u>
Total salary-based expenses (b)					
Share-based compensation (Note 29)	8,932	33,202	90,821	50,684	(3,338)
	<u>335,873</u>	<u>469,224</u>	<u>703,458</u>	<u>342,589</u>	<u>336,908</u>
Total staff compensation expense					

(a) Contributions to pension plan

No forfeited contributions were available and utilised by the Group to reduce its future pension contributions for the years ended 31 December 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022.

APPENDIX I

ACCOUNTANT’S REPORT

Mainland China

As stipulated under the relevant rules and regulations in Mainland China, the subsidiaries operating in Mainland China contribute to state-sponsored retirement plans for its employees. For the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, depending on the provinces of the employees’ registered residences and their current region of work, the subsidiaries contributed certain percentages of the basic salaries of its employees and had no further obligations for the actual payment of pensions or post retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

According to policies issued by the Ministry of Human Resources and Social Security of the PRC and local municipal departments in response to the Coronavirus Disease 2019 (COVID-19), certain social security relief policies have been implemented by local authorities which reduced the pension plan expenses for the period from February to December 2020.

Hong Kong

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the “MPF Scheme”), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme.

The Group has no further payment obligations once the contribution has been paid. The contributions are recognised as employee benefit expense when they are due.

(b) Total salary-based expenses

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Salary-based expenses					
– Store level	247,597	316,009	462,596	217,943	262,316
– Corporate level	79,344	120,013	150,041	73,962	77,930
	<u>326,941</u>	<u>436,022</u>	<u>612,637</u>	<u>291,905</u>	<u>340,246</u>

(c) Five highest paid individuals

Details of the remunerations of the five highest paid individuals in the Group during the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
				<i>(Unaudited)</i>	
Director	1	–	1	1	1
Non-director	4	5	4	4	4
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

APPENDIX I

ACCOUNTANT’S REPORT

The five individuals whose emoluments were the highest in the Group include 1, nil, 1, 1 and 1 director for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022 respectively, whose emoluments are reflected in Note 34. The emoluments payable to the remaining 4, 5, 4, 4 and 4 non-director highest paid individuals for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Salaries, wages and bonuses	14,829	14,020	16,225	4,287	5,565
Contributions to pension plan	196	166	167	91	89
Housing fund, medical insurance and other social insurance	206	262	201	126	107
Other benefits	683	902	628	408	343
Share-based compensation	1,887	19,352	18,478	11,178	7,500
	<u>17,801</u>	<u>34,702</u>	<u>35,699</u>	<u>16,090</u>	<u>13,604</u>

The emoluments fell within the following band:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
				<i>(Unaudited)</i>	
Emolument bands					
HKD1,500,000 to HKD2,000,000	–	–	–	–	2
HKD2,500,000 to HKD3,000,000	2	–	–	–	1
HKD3,500,000 to HKD4,000,000	–	3	–	3	–
HKD5,000,000 to HKD5,500,000	1	–	–	–	–
HKD6,500,000 to HKD7,000,000	–	1	–	–	–
HKD7,000,000 to HKD7,500,000	–	–	1	1	–
HKD9,500,000 to HKD10,000,000	1	–	–	–	1
HKD10,000,000 to HKD10,500,000	–	–	1	–	–
HKD11,500,000 to HKD12,000,000	–	–	1	–	–
HKD13,500,000 to HKD14,000,000	–	–	1	–	–
HKD21,000,000 to HKD21,500,000	–	1	–	–	–
Total	<u>4</u>	<u>5</u>	<u>4</u>	<u>4</u>	<u>4</u>

APPENDIX I

ACCOUNTANT’S REPORT

8 OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	Year ended December 31,			Six months ended June 30,	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000	2022 RMB'000
Other income					
Government grants income (a)	955	14,352	2,822	2,393	4,336
Value-added tax additional deductions (b)	–	–	–	–	14,218
Interest income on discount of rental deposit	1,466	1,558	1,602	741	1,335
	<u>2,421</u>	<u>15,910</u>	<u>4,424</u>	<u>3,134</u>	<u>19,889</u>
Other (losses)/gains, net					
Impairment charge of right-of-use assets (note 14)	(1,925)	(5,154)	(2,362)	–	–
Impairment charge of plant and equipment (note 13)	(295)	(1,452)	(2,273)	–	–
Impairment charge of intangible assets (note 15)	(1)	–	–	–	–
Net foreign exchange (losses)/gains on operating activities	(514)	(1,020)	(439)	494	805
Loss on disposal of plant and equipment and intangible assets	(1,473)	(792)	(2,362)	(683)	(3,383)
Gain on termination of lease contracts	–	–	4,211	3,957	454
Others	1,161	2,222	1,449	(539)	537
	<u>(3,047)</u>	<u>(6,196)</u>	<u>(1,776)</u>	<u>3,229</u>	<u>(1,587)</u>

(a) Government grants mainly represented exemptions on value-added tax granted by the government authorities in the PRC which were applicable to certain subsidiaries of the Group, and the additional COVID-19 government grants granted by the government authorities in the PRC during the years ended December 31, 2020 and 2021. The Group has received all the government grants income and there was no future obligation related to these subsidy income.

(b) For the six months ended June 30, 2022, other income primarily comprised of the 10% or 15% additional deduction of input VAT from output VAT applicable to certain subsidiaries of the Group (as either producer service companies or consumer service companies).

APPENDIX I

ACCOUNTANT’S REPORT

9 FINANCE COSTS, NET

	Year ended December 31,			Six months ended	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000	2022 RMB'000
				(Unaudited)	
Interest income on cash at bank	1,594	1,159	1,860	1,008	890
Interest expenses	(42,773)	(59,866)	(73,212)	(36,392)	(35,443)
– Bank borrowings	(1,049)	(10,401)	(14,171)	(7,305)	(8,760)
– Lease liabilities (note 14)	(29,713)	(37,360)	(48,659)	(23,672)	(26,326)
– Long-term payables	(12,011)	(12,105)	(10,382)	(5,415)	(357)
Guarantee fee for bank borrowings (notes i and 22 (ii))	(4,408)	(16,876)	(16,126)	(8,116)	(12,269)
Issuance cost of convertible senior ordinary shares	–	(10,226)	(9,235)	(1,368)	–
Net foreign exchange (losses)/gains on financing activities	(5,431)	23,869	9,042	3,927	(1,396)
	<u>(51,018)</u>	<u>(61,940)</u>	<u>(87,671)</u>	<u>(40,941)</u>	<u>(48,218)</u>

- (i) As of June 30, 2022, the Company has repaid the bank borrowings which were secured by the corporate guarantee from one of the shareholders, Good Taste Limited and one of the directors of the Company, and the guarantee was released correspondingly. For the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, the related guarantee fee charged to finance costs was RMB4,408,000, RMB16,876,000, RMB16,126,000, RMB8,116,000 and RMB12,269,000, respectively.

10 INCOME TAX EXPENSE/(CREDIT)

	Year ended December 31,			Six months ended	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000	2022 RMB'000
				(Unaudited)	
Current income tax					
– Mainland China corporate income tax	–	6,373	21,547	17,872	19,490
Deferred income tax (Note 28)	–	–	(28,606)	(26,764)	(9,752)
Income tax expense/(credit)	<u>–</u>	<u>6,373</u>	<u>(7,059)</u>	<u>(8,892)</u>	<u>9,738</u>

APPENDIX I

ACCOUNTANT’S REPORT

(i) B.V.I. profits tax

The Company is incorporated in the British Virgin Islands as an exempted company with limited liability under the Companies Law of the British Virgin Islands and, accordingly, is exempted from payment of British Virgin Islands income tax.

(ii) Hong Kong profits tax

The Hong Kong profits tax rate applicable to the Group is 16.5%. No Hong Kong profits tax has been provided, as the Group have no assessable profit earned or derived in Hong Kong in the Track Record Period.

(iii) Cayman Islands profits tax

The Company’s subsidiary is incorporated in the Cayman Islands as an exempted company with limited liability and, accordingly, is exempted from payment of the Cayman Islands income tax.

(iv) Mainland China corporate income tax (“CIT”)

CIT is provided on the taxable income of entities within the Group incorporated in Mainland China. Except as disclosed below, the corporate income tax rate applicable to the subsidiaries incorporated in Mainland China is 25% for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022. Domino’s Pizza (Ningbo) Co., Ltd. and Domino’s Pizza (Dongguan) Co., Ltd. are qualified as small and micro businesses and enjoy preferential income tax rate as approved by the local tax authorities with effect from the respective dates of their establishment. The tax rates are 2.5% on taxable income for the first RMB1,000,000, 10% of tax rate on taxable income for the subsequent RMB1,000,000 to RMB3,000,000 and 25% of tax rate on taxable income over RMB3,000,000, respectively, for the year ended December 31, 2021 and the six months ended June 30, 2022.

A reconciliation from loss before income tax to tax charges is set out below:

	Year ended December 31			Six months ended June 30,	
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2021 RMB’000 (Unaudited)	2022 RMB’000
Loss before income tax	(181,550)	(267,677)	(478,122)	(214,115)	(85,737)
Tax calculated at tax rates applicable to profit/(loss) in the respective jurisdictions	(32,603)	(44,816)	(45,869)	(23,972)	(7,368)
Expenses not deductible for tax purpose ⁽ⁱ⁾	6,645	13,107	25,241	13,547	871
Temporary differences and tax losses for which no deferred income tax assets were recognized	29,980	38,671	33,643	26,040	20,374
Recognition of previously unrecognized tax losses and temporary differences	–	–	(17,945)	(17,945)	–
Utilization of previous unrecognized tax losses	(4,022)	(589)	(2,129)	(6,562)	(3,779)
Differences of year-end final settlement	–	–	–	–	(360)
Tax expense/(credit)	–	6,373	(7,059)	(8,892)	9,738

(i) Expenses not deductible for tax purpose mainly included share-based compensation and expenses not eligible for tax deduction.

APPENDIX I

ACCOUNTANT’S REPORT

11 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years/periods.

	Year ended December 31			Six months ended June 30,	
	2019	2020	2021	2021	2022
				<i>(Unaudited)</i>	
Loss attributable to owners of the Company (RMB'000)	(181,550)	(274,050)	(471,063)	(205,223)	(95,475)
Weighted average number of ordinary shares in issue (thousands)	<u>84,703</u>	<u>85,475</u>	<u>86,921</u>	<u>86,181</u>	<u>95,031</u>
Basic loss per share (RMB)	<u>(2.14)</u>	<u>(3.21)</u>	<u>(5.42)</u>	<u>(2.38)</u>	<u>(1.00)</u>

(b) Diluted

Diluted loss per share is calculated by dividing the loss excluding the effect of changes in the fair value of convertible senior ordinary shares attributable to owners of the Company by the weighted average number of ordinary shares and convertible senior ordinary shares in issue during the respective years/periods. The dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022 were the same as basic loss per share for the respective years/periods.

12 DIVIDENDS

No dividends have been paid or declared by the Company for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022.

APPENDIX I

ACCOUNTANT’S REPORT

13 PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At January 1, 2019						
Cost	122,965	93,092	10,654	11,046	27,795	265,552
Accumulated depreciation	(31,380)	(18,630)	(3,746)	(2,771)	–	(56,527)
Impairment	(181)	(655)	(1)	(175)	–	(1,012)
Net book amount	<u>91,404</u>	<u>73,807</u>	<u>6,907</u>	<u>8,100</u>	<u>27,795</u>	<u>208,013</u>
Year ended December 31, 2019						
Opening net book amount	91,404	73,807	6,907	8,100	27,795	208,013
Additions	–	–	3,713	–	131,437	135,150
Transfers	95,313	56,944	–	4,886	(157,143)	–
Disposals	(299)	(668)	(267)	(194)	–	(1,428)
Depreciation	(31,892)	(20,732)	(2,398)	(2,715)	–	(57,737)
Impairment (note 8)	(217)	(136)	1	57	–	(295)
Closing net book amount	<u>154,309</u>	<u>109,215</u>	<u>7,956</u>	<u>10,134</u>	<u>2,089</u>	<u>283,703</u>
As at December 31, 2019						
Cost	217,979	147,029	12,164	14,837	2,089	394,098
Accumulated depreciation	(63,272)	(37,718)	(4,208)	(4,667)	–	(109,865)
Impairment	(398)	(96)	–	(36)	–	(530)
Net book amount	<u>154,309</u>	<u>109,215</u>	<u>7,956</u>	<u>10,134</u>	<u>2,089</u>	<u>283,703</u>
Year ended December 31, 2020						
Opening net book amount	154,309	109,215	7,956	10,134	2,089	283,703
Additions	–	–	2,975	–	158,979	161,954
Transfers	89,139	54,208	–	7,599	(150,946)	–
Disposals	(2,928)	(2,449)	(22)	(257)	–	(5,656)
Depreciation	(43,014)	(27,870)	(2,590)	(3,458)	–	(76,932)
Impairment (note 8)	(1,452)	–	–	–	–	(1,452)
Closing net book amount	<u>196,054</u>	<u>133,104</u>	<u>8,319</u>	<u>14,018</u>	<u>10,122</u>	<u>361,617</u>
As at December 31, 2020						
Cost	303,420	194,496	14,934	21,049	10,122	544,021
Accumulated depreciation	(106,286)	(61,392)	(6,615)	(7,030)	–	(181,323)
Impairment	(1,080)	–	–	(1)	–	(1,081)
Net book amount	<u>196,054</u>	<u>133,104</u>	<u>8,319</u>	<u>14,018</u>	<u>10,122</u>	<u>361,617</u>
Year ended December 31, 2021						
Opening net book amount	196,054	133,104	8,319	14,018	10,122	361,617
Additions	–	–	2,122	–	167,780	169,902
Transfers	100,639	58,109	–	7,235	(165,983)	–
Disposals	(324)	(2,219)	(188)	(809)	–	(3,540)
Depreciation	(55,517)	(36,072)	(2,606)	(4,461)	–	(98,656)
Impairment (note 8)	(2,273)	–	–	–	–	(2,273)
Closing net book amount	<u>238,579</u>	<u>152,922</u>	<u>7,647</u>	<u>15,983</u>	<u>11,919</u>	<u>427,050</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Leasehold improvements	Machinery and equipment	Office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at December 31, 2021						
Cost	403,112	243,312	15,245	24,873	11,919	698,461
Accumulated depreciation	(161,803)	(90,390)	(7,598)	(8,889)	–	(268,680)
Impairment	(2,730)	–	–	(1)	–	(2,731)
Net book amount	<u>238,579</u>	<u>152,922</u>	<u>7,647</u>	<u>15,983</u>	<u>11,919</u>	<u>427,050</u>
Six months ended June 30, 2021 (Unaudited)						
Opening net book amount	196,054	133,104	8,319	14,018	10,122	361,617
Additions	–	–	891	–	76,401	77,292
Transfers	45,745	28,427	–	3,064	(77,236)	–
Disposals	(200)	(1,046)	(1)	(302)	–	(1,549)
Depreciation	(26,113)	(17,325)	(1,256)	(2,165)	–	(46,859)
Closing net book amount	<u>215,486</u>	<u>143,160</u>	<u>7,953</u>	<u>14,615</u>	<u>9,287</u>	<u>390,501</u>
As at June 30, 2021 (Unaudited)						
Cost	346,906	219,955	15,815	23,340	9,287	615,303
Accumulated depreciation	(130,340)	(76,795)	(7,862)	(8,724)	–	(223,721)
Impairment	(1,080)	–	–	(1)	–	1,081)
Net book amount	<u>215,486</u>	<u>143,160</u>	<u>7,953</u>	<u>14,615</u>	<u>9,287</u>	<u>390,501</u>
Six months ended June 30, 2022						
Opening net book amount	238,579	152,922	7,647	15,983	11,919	427,050
Additions	–	–	334	–	64,804	65,138
Transfers	40,929	21,634	–	3,063	(65,626)	–
Disposals	(1,504)	(819)	(2)	(846)	–	(3,171)
Depreciation	(32,297)	(20,523)	(1,281)	(2,572)	–	(56,673)
Closing net book amount	<u>245,707</u>	<u>153,214</u>	<u>6,698</u>	<u>15,628</u>	<u>11,097</u>	<u>432,344</u>
As at June 30, 2022						
Cost	438,291	260,001	15,569	24,552	11,097	749,510
Accumulated depreciation	(189,896)	(106,787)	(8,871)	(8,923)	–	(314,477)
Impairment	(2,688)	–	–	(1)	–	(2,689)
Net book amount	<u>245,707</u>	<u>153,214</u>	<u>6,698</u>	<u>15,628</u>	<u>11,097</u>	<u>432,344</u>

APPENDIX I

ACCOUNTANT’S REPORT

14 LEASES

(a) Amounts recognized on the consolidated balance sheets

The recognized right-of-use assets relate to the following types of assets:

	As at December 31,			As at June 30,	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000	2022 RMB'000
				(Unaudited)	
Right-of-use assets					
Leased properties – stores and central kitchens	451,463	583,268	625,057	620,669	662,076
Leased properties – offices	16,982	12,507	12,562	10,652	10,369
Total right-of-use assets	<u>468,445</u>	<u>595,775</u>	<u>637,619</u>	<u>631,321</u>	<u>672,445</u>
Lease liabilities					
Lease liabilities – current	98,503	128,046	141,212	139,466	162,941
Lease liabilities – non-current	386,491	501,535	540,112	531,038	572,081
Total lease liabilities	<u>484,994</u>	<u>629,581</u>	<u>681,324</u>	<u>670,504</u>	<u>735,022</u>

As of December 31, 2019, 2020, 2021 and June 30, 2022, the carrying amounts of the Group’s right-of-use assets and lease liabilities were denominated in RMB.

Movements in right-of-use assets are analyzed as follows:

	Leased properties – stores and central kitchens RMB'000	Leased properties – offices RMB'000	Total RMB'000
Year ended December 31, 2019			
Opening net book amount	342,523	21,445	363,968
Additions	205,014	–	205,014
Depreciation	(94,149)	(4,463)	(98,612)
Impairment (i)	(1,925)	–	(1,925)
Net book amount at December 31, 2019	<u>451,463</u>	<u>16,982</u>	<u>468,445</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Leased properties – stores and central kitchens RMB’000	Leased properties – offices RMB’000	Total RMB’000
Year ended December 31, 2020			
Opening net book amount	451,463	16,982	468,445
Additions	260,910	–	260,910
Depreciation	(123,951)	(4,475)	(128,426)
Impairment (i)	(5,154)	–	(5,154)
Net book amount at December 31, 2020	583,268	12,507	595,775
Year ended December 31, 2021			
Opening net book amount	583,268	12,507	595,775
Additions	201,535	4,720	206,255
Depreciation	(157,384)	(4,665)	(162,049)
Impairment (i)	(2,362)	–	(2,362)
Net book amount at December 31, 2021	625,057	12,562	637,619
Six months ended June 30, 2021 (Unaudited)			
Opening net book amount	583,268	12,507	595,775
Additions	112,120	–	112,120
Depreciation	(74,719)	(1,855)	(76,574)
Net book amount at June 30, 2021	620,669	10,652	631,321
Six months ended June 30, 2022			
Opening net book amount	625,057	12,562	637,619
Additions	125,810	–	125,810
Depreciation	(88,791)	(2,193)	(90,984)
Net book amount at June 30, 2022	662,076	10,369	672,445

- (i) For the years ended December 31, 2019, 2020 and 2021, the Group recognized impairment losses for right-of-use assets of approximately RMB1,925,000, RMB5,154,000 and RMB2,362,000 (Note 8), respectively, at the end of each reporting years, due to the relocation plans of certain stores.

APPENDIX I

ACCOUNTANT’S REPORT

(b) Amounts recognized in the consolidated statements of comprehensive income

The consolidated statements of comprehensive income shows the following amounts relating to leases:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
Depreciation of right-of-use assets					
Leased properties – stores and central kitchens	94,149	123,951	157,384	74,719	88,791
Leased properties – offices	4,463	4,475	4,665	1,855	2,193
	<u>98,612</u>	<u>128,426</u>	<u>162,049</u>	<u>76,574</u>	<u>90,984</u>
Finance costs – net (<i>note 9</i>)	29,713	37,360	48,659	23,672	26,326
Expense relating to short-term leases	5,712	610	662	203	1,191
Expense relating to leases of low-value assets that are not shown above as short-term leases	110	197	226	87	144
Expense relating to variable lease payments not included in lease liabilities	1,053	7,339	17,087	8,408	12,896
	<u>36,588</u>	<u>45,506</u>	<u>66,634</u>	<u>32,370</u>	<u>40,557</u>

Some property leases contain variable payment terms that are linked to sales generated from some stores. For some individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 7% to 14% of sales as generated from those stores. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

A 10% increase in sales across all stores in the Group with such variable lease contracts would increase total lease payments by approximately RMB105,000, RMB734,000, RMB1,709,000, RMB841,000 and RMB1,290,000 for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively.

The total cash out of lease payment is RMB125,305,000, RMB157,949,000, RMB213,678,000, RMB98,458,000 and RMB111,103,000 for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively.

APPENDIX I

ACCOUNTANT’S REPORT

15 INTANGIBLE ASSETS

	Goodwill <i>RMB'000</i>	Master franchise agreement <i>RMB'000</i>	Store franchise fees <i>RMB'000</i>	Acquired software and website <i>RMB'000</i>	Self- developed website and app <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2019						
Cost	360,479	960,637	3,594	24,059	–	1,348,769
Accumulated amortization	–	(38,329)	(346)	(3,693)	–	(42,368)
Impairment	–	–	(2)	–	–	(2)
Net book amount	<u>360,479</u>	<u>922,308</u>	<u>3,246</u>	<u>20,366</u>	<u>–</u>	<u>1,306,399</u>
Year ended December 31, 2019						
Opening net book amount	360,479	922,308	3,246	20,366	–	1,306,399
Additions	–	–	1,408	16,643	9,599	27,650
Disposal	–	–	(45)	–	–	(45)
Amortization	–	(32,045)	(389)	(3,518)	(159)	(36,111)
Impairment (<i>note 8</i>)	–	–	(1)	–	–	(1)
Exchange difference	–	1,342	–	–	–	1,342
Closing net book amount	<u>360,479</u>	<u>891,605</u>	<u>4,219</u>	<u>33,491</u>	<u>9,440</u>	<u>1,299,234</u>
As at December 31, 2019						
Cost	360,479	962,075	4,912	40,701	9,599	1,377,766
Accumulated amortization	–	(70,470)	(690)	(7,210)	(159)	(78,529)
Impairment	–	–	(3)	–	–	(3)
Net book amount	<u>360,479</u>	<u>891,605</u>	<u>4,219</u>	<u>33,491</u>	<u>9,440</u>	<u>1,299,234</u>
Year ended December 31, 2020						
Opening net book amount	360,479	891,605	4,219	33,491	9,440	1,299,234
Additions	–	–	4,055	26,809	–	30,864
Disposal	–	–	(35)	–	–	(35)
Amortization	–	(31,973)	(489)	(6,788)	(960)	(40,210)
Exchange difference	–	(5,168)	–	–	–	(5,168)
Closing net book amount	<u>360,479</u>	<u>854,464</u>	<u>7,750</u>	<u>53,512</u>	<u>8,480</u>	<u>1,284,685</u>
As at December 31, 2020						
Cost	360,479	956,333	8,928	67,510	9,599	1,402,849
Accumulated amortization	–	(101,869)	(1,178)	(13,998)	(1,119)	(118,164)
Net book amount	<u>360,479</u>	<u>854,464</u>	<u>7,750</u>	<u>53,512</u>	<u>8,480</u>	<u>1,284,685</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Goodwill <i>RMB'000</i>	Master franchise agreement <i>RMB'000</i>	Store franchise fees <i>RMB'000</i>	Acquired software and website <i>RMB'000</i>	Self-developed website and app <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended December 31, 2021						
Opening net book amount	360,479	854,464	7,750	53,512	8,480	1,284,685
Additions	–	–	3,098	10,931	–	14,029
Disposal	–	–	(32)	–	–	(32)
Amortization	–	(31,846)	(994)	(9,231)	(960)	(43,031)
Exchange difference	–	(1,645)	–	–	–	(1,645)
Closing net book amount	<u>360,479</u>	<u>820,973</u>	<u>9,822</u>	<u>55,212</u>	<u>7,520</u>	<u>1,254,006</u>
As at December 31, 2021						
Cost	360,479	954,434	11,994	78,441	9,599	1,414,947
Accumulated amortization	–	(133,461)	(2,172)	(23,229)	(2,079)	(160,941)
Net book amount	<u>360,479</u>	<u>820,973</u>	<u>9,822</u>	<u>55,212</u>	<u>7,520</u>	<u>1,254,006</u>
Six months ended June 30, 2021 (Unaudited)						
Opening net book amount	360,479	854,464	7,750	53,512	8,480	1,284,685
Additions	–	–	1,506	6,297	–	7,803
Disposal	–	–	(28)	–	–	(28)
Amortization	–	(15,932)	(439)	(3,991)	(480)	(20,842)
Exchange difference	–	(721)	–	–	–	(721)
Closing net book amount	<u>360,479</u>	<u>837,811</u>	<u>8,789</u>	<u>55,818</u>	<u>8,000</u>	<u>1,270,897</u>
As at June 30, 2021 (Unaudited)						
Cost	360,479	955,509	10,433	73,807	9,599	1,409,827
Accumulated amortization	–	(117,698)	(1,644)	(17,989)	(1,599)	(138,930)
Net book amount	<u>360,479</u>	<u>837,811</u>	<u>8,789</u>	<u>55,818</u>	<u>8,000</u>	<u>1,270,897</u>
Six months ended June 30, 2022						
Opening net book amount	360,479	820,973	9,822	55,212	7,520	1,254,006
Additions	–	–	827	7,041	–	7,868
Disposal	–	–	(13)	–	–	(13)
Amortization	–	(15,942)	(589)	(6,466)	(480)	(23,477)
Exchange difference	–	3,594	–	–	–	3,594
Closing net book amount	<u>360,479</u>	<u>808,625</u>	<u>10,047</u>	<u>55,787</u>	<u>7,040</u>	<u>1,241,978</u>
As at June 30, 2022						
Cost	360,479	958,706	12,807	85,482	9,599	1,427,073
Accumulated amortization	–	(150,081)	(2,760)	(29,695)	(2,559)	(185,095)
Net book amount	<u>360,479</u>	<u>808,625</u>	<u>10,047</u>	<u>55,787</u>	<u>7,040</u>	<u>1,241,978</u>

APPENDIX I

ACCOUNTANT’S REPORT

On the date of the completion of the Acquisition (Note 1), an intangible assets of master franchise agreement as identified from the Acquisition was recognized at fair value of approximately RMB959,507,000. Goodwill of approximately RMB360,479,000, which represented the excess of total consideration over the fair value of the identified net assets acquired, was also recognized.

(a) Goodwill impairment

The recoverable amount of the group of CGUs, which is allocated to the whole group, are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 10-year period. The Group is in the industry which is currently in the stage of rapid development. Considering the Group’s store expansion plan, the Group plans to continue to grow its presence in China by expanding its geographic coverage and deepening its market penetration. As a result, the Group will be in a period of rapid development for the next few years and is expected to develop to a stable stage in the next decade. The recoverable amount of the group of CGUs is determined based on the valuation results which were also been cross checked to the valuation report as issued by an independent qualified appraisal firm, Avista Valuation Advisory Limited.

For the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022, the key assumptions are:

	Year ended December 31,			Six months ended
	2019	2020	2021	June 30, 2022
	%	%	%	%
Revenue growth rate	11.4 – 39.3	11.4 – 37.8	9.2 – 27.6	9.2-26.9
Pre-tax discount rate	19.9	19.1	18.3	18.3
Terminal growth rate	3.0	2.5	2.5	2.5

As at December 31, 2019, 2020, 2021 and June 30, 2022, the headroom of the Group of CGUs containing goodwill are RMB1,095,331,000, RMB1,603,933,000, RMB3,385,929,000 and RMB3,731,146,000, respectively.

Based on the results of the impairment assessment, the directors of the Company concluded that no impairment on goodwill has to be recognized as of the respective balance sheet dates.

Sensitivity analysis

Had the estimated key assumptions during the forecast period been changed as shown below, the headroom would have been decreased to the following amounts:

	As at December 31,			As at
	2019	2020	2021	June 30, 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue amount decreases by 10%	529,908	945,344	2,015,856	2,338,269
Discount rate increases by 1 percentage point	738,763	1,182,263	2,794,033	3,142,854
Terminal growth rate decreases by 0.5 percentage point	1,010,376	1,523,340	3,233,686	3,572,554

Therefore, the directors of the Company also concluded that any reasonable possible changes in key assumptions would not lead to impairment of the goodwill as of the respective balance sheet dates.

APPENDIX I

ACCOUNTANT’S REPORT

16 PARTICULARS OF SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group as at December 31, 2019, 2020, 2021 and June 30, 2022:

Name	Place and date of incorporation/ establishment	Principal activities	Issued and paid up capital/ registered capital	Effective interest held by the Group			As at June 30, 2022	As of date of this report	Note
				As of December 31, 2019	2020	2021			
Directly held:									
DPZ China	Hong Kong; December 22, 2010	Investment holding	Share capital HKD1,000	100%	100%	100%	100%	100%	(b)
Indirectly held:									
Pizzavest China Ltd.	Cayman Islands; April 26, 1993	Investment holding	Share capital US\$85,786,600	100%	100%	100%	100%	100%	(a)
Dash Investment Co., Ltd.* (達勢投資有限公司)	Mainland China; November 1, 2021	Investment holding	US\$30,000,000/ US\$30,000,000	NA	NA	100%	100%	100%	(c)
Beijing Pizzavest Fast Food Co., Ltd.* (北京達美樂比薩餅有限公司)	Mainland China; July 22, 1996	Restaurant management, fast-food process such as pizza, chicken products and beverages	US\$16,250,000/ US\$20,000,000	100%	100%	100%	100%	100%	(b)
Shanghai Pizzavest Fast Food Co., Ltd.* (上海達美樂比薩餅有限公司)	Mainland China; October 25, 2007	Restaurant management, fast-food process such as pizza, chicken, products and beverages	US\$123,100,000/ US\$134,000,000	100%	100%	100%	100%	100%	(b)
Sanhe Municipal Domino’s Pizza Co., Ltd.* (三河市達美樂比薩餅有限公司)	Mainland China; August 23, 2013	Warehousing, central kitchen and dough production	RMB6,300,000/ RMB6,300,000	100%	100%	100%	100%	100%	(b)
Shenzhen Pizzavest Fast Food Co., Ltd.* (深圳達美樂餐飲管理有限公司)	Mainland China; May 23, 2018	Restaurant management, fast-food process such as pizza, chicken products and beverages	RMB200,000,000/ RMB200,000,000	100%	100%	100%	100%	100%	(b)
Dongguan Domino’s Food Co., Ltd.* (東莞達美樂食品有限公司)	Mainland China; June 28, 2018	Warehousing, central kitchen and dough production	RMB5,000,000/ RMB5,000,000	100%	100%	100%	100%	100%	(b)

APPENDIX I

ACCOUNTANT’S REPORT

Name	Place and date of incorporation/ establishment	Principal activities	Issued and paid up capital/ registered capital	Effective interest held by the Group				As of date of this report	Note
				As of December 31, 2019	2020	2021	As at June 30, 2022		
Shanghai Domino’s Food Co., Ltd.* (上海達美樂食品有限公司)	Mainland China; April 1, 2019	Warehousing, central kitchen and dough production	US\$3,000,000/ US\$3,000,000	100%	100%	100%	100%	100%	(b)
Domino’s Pizza (Ningbo) Co., Ltd.* (達美樂比薩(寧波)有限公司)	Mainland China; July 22, 2021	Restaurant management, fast-food process such as pizza, chicken, products and beverages	Nil/ RMB3,000,000	NA	NA	100%	100%	100%	(c)
Domino’s Pizza (Dongguan) Co., Ltd.* (達美樂比薩(東莞)有限公司)	Mainland China; January 13, 2022	Restaurant management, fast-food process such as pizza, chicken, products and beverages	Nil/ RMB3,000,000	NA	NA	NA	100%	100%	N/A

(a) Pizzavest China Ltd. was not subject to statutory audit requirement under the relevant rules and regulations in the jurisdiction of incorporation.

(b) The statutory financial statements of DPZ China for the years ended December 31, 2019, 2020 and 2021 were audited by PricewaterhouseCoopers. The statutory financial statements of Shanghai Pizzavest Fast Food Co., Ltd., Beijing Pizzavest Fast Food Co., Ltd., Shenzhen Pizzavest Fast Food Co., Ltd., Shanghai Domino’s Food Co., Ltd., Sanhe Municipal Domino’s Pizza Co., Ltd. and Dongguan Domino’s Food Co., Ltd. for the years ended December 31, 2019, 2020 and 2021 were audited by PricewaterhouseCoopers Zhong Tian LLP.

(c) The statutory financial statements of Dash Investment Co., Ltd. and Domino’s Pizza (Ningbo) Co., Ltd. for the year ended December 31, 2021 were audited by PricewaterhouseCoopers Zhong Tian LLP.

* The English translation is for identification purpose only. These companies do not have official English names.

** Among the Group’s PRC subsidiaries, Beijing Pizzavest Fast Food Co., Ltd., Shanghai Pizzavest Fast Food Co., Ltd. and Dash Investment Co., Ltd. are wholly owned foreign enterprises.

APPENDIX I

ACCOUNTANT’S REPORT

17 FINANCIAL INSTRUMENTS BY CATEGORIES

	As at December 31			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Financial assets at amortized cost				
Financial assets carried at amortized cost				
Trade receivables (note 19)	2,318	3,630	4,581	4,494
Other receivables (note 20)	26,061	36,319	42,880	47,579
Cash and cash equivalents (note 21)	83,657	257,390	656,672	576,944
Restricted cash (note 21)	817	3,034	2,215	214
	<u>112,853</u>	<u>300,373</u>	<u>706,348</u>	<u>629,231</u>
Financial liabilities				
Financial liabilities at amortized cost				
Borrowings (note 24)	65,000	210,000	180,000	100,000
Lease liabilities (note 14)	484,994	629,581	681,324	735,022
Trade payables (note 26)	83,992	73,743	124,696	141,843
Other payables (excluding salary and welfare payables and provision for restoration costs)	178,748	239,294	236,276	296,241
	<u>812,734</u>	<u>1,152,618</u>	<u>1,222,296</u>	<u>1,273,106</u>
Financial liabilities at FVPL				
Convertible senior ordinary shares (note 25)	–	275,077	784,426	826,886
	<u>812,734</u>	<u>1,427,695</u>	<u>2,006,722</u>	<u>2,099,992</u>

18 INVENTORIES

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Raw materials and consumables	<u>21,090</u>	<u>25,677</u>	<u>36,517</u>	<u>47,217</u>

The cost of inventories recognized as “Raw materials and consumables cost” and included in the consolidated statements of comprehensive income during the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, amounted to RMB228,065,000, RMB310,505,000, RMB425,580,000, RMB203,574,000 and RMB247,193,000, respectively.

For the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, no write-downs of inventories to net realizable value were charged to profit or loss.

APPENDIX I

ACCOUNTANT’S REPORT

19 TRADE RECEIVABLES

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Trade receivables due from third parties	2,367	3,711	4,663	4,604
Less: allowance for impairment of trade receivables	(49)	(81)	(82)	(110)
	<u>2,318</u>	<u>3,630</u>	<u>4,581</u>	<u>4,494</u>

The movement of expected credit losses is included in note 3.1.

Aging of trade receivables, based on invoice date, are as follows:

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Within 30 days	<u>2,367</u>	<u>3,711</u>	<u>4,663</u>	<u>4,604</u>

The carrying amounts of trade receivables approximated their fair values as at the balance sheet date due to their short-term maturities, and these balances were all denominated in RMB.

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(a) The Group

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Non-current				
Rental deposits (ii)	22,880	29,490	31,773	36,452
Prepayments				
– guarantee fee (note 22)	4,883	1,957	–	–
– others	426	324	–	–
Less: loss allowance for other financial assets at amortized cost	(167)	(391)	(401)	(411)
	<u>28,022</u>	<u>31,380</u>	<u>31,372</u>	<u>36,041</u>

APPENDIX I

ACCOUNTANT’S REPORT

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Current				
Prepayments				
– guarantee fee (<i>note 22</i>)	13,778	12,927	11,954	–
– raw materials	3,491	15,267	10,804	2,888
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
– others	1,706	2,817	3,478	4,328
Value-added tax recoverable	33,548	47,297	45,318	34,123
Rental deposits (<i>ii</i>)	1,806	4,563	9,061	8,327
Other receivables	1,576	2,718	2,544	3,349
Less: loss allowance for other financial assets at amortized cost	(34)	(61)	(97)	(138)
	<u>55,871</u>	<u>85,528</u>	<u>84,056</u>	<u>55,353</u>
Total of prepayments, deposits and other receivables	<u>83,893</u>	<u>116,908</u>	<u>115,428</u>	<u>91,394</u>

- (i) The [REDACTED] expenses were incurred in connection with the [REDACTED] of the Group and will be deducted from equity upon the [REDACTED] of the Group.
- (ii) Rental deposits relate to a number of independent counterparties for whom there is no recent history of default. The existing counterparties do not have significant defaults in the past.

Prepayments, deposits and other receivables are denominated in the following currencies:

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
RMB	65,038	101,728	102,593	90,591
US\$	<u>18,855</u>	<u>15,180</u>	<u>12,835</u>	<u>803</u>
	<u>83,893</u>	<u>116,908</u>	<u>115,428</u>	<u>91,394</u>

APPENDIX I

ACCOUNTANT’S REPORT

(b) The Company

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Non-current				
Prepayments				
– guarantee fee	4,883	1,957	–	–
Current				
Prepayments				
– guarantee fee	13,778	12,927	11,954	–
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other receivables	102	403	136	343
	<u>13,880</u>	<u>13,330</u>	<u>13,084</u>	<u>2,819</u>
Total of prepayments and other receivables	<u>18,763</u>	<u>15,287</u>	<u>13,084</u>	<u>2,819</u>

The Company’s prepayments and other receivables are denominated in the following currencies:

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
US\$	<u>18,763</u>	<u>15,287</u>	<u>13,084</u>	<u>2,819</u>

21 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents

(i) The Group

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Cash at bank	83,543	257,227	656,377	576,725
Cash in hand	114	163	295	219
	<u>83,657</u>	<u>257,390</u>	<u>656,672</u>	<u>576,944</u>

APPENDIX I

ACCOUNTANT’S REPORT

Cash and cash equivalents are denominated in the following currencies:

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
RMB	77,585	148,945	90,982	316,811
US\$	5,748	108,144	565,400	259,832
Others	324	301	290	301
	<u>83,657</u>	<u>257,390</u>	<u>656,672</u>	<u>576,944</u>

(ii) *The Company*

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Cash at bank	<u>2,727</u>	<u>3,417</u>	<u>314,419</u>	<u>169,333</u>

The Company’s cash and cash equivalents are denominated in the following currencies:

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
US\$	<u>2,727</u>	<u>3,417</u>	<u>314,419</u>	<u>169,333</u>

(b) **Restricted cash**

The Group

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Frozen deposits by court ⁽ⁱ⁾	–	1,382	752	–
Restricted bank account ⁽ⁱⁱ⁾	617	1,452	1,263	14
Others	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>
	<u>817</u>	<u>3,034</u>	<u>2,215</u>	<u>214</u>

(i) As of December 31, 2019, 2020, 2021 and June 30, 2022, bank deposits of nil, RMB1,382,000, RMB752,000 and nil respectively were frozen by court due to a contract disputes lawsuit. The Group has made full provision for the lawsuit. The lawsuit was settled and the deposits were released in January 2022.

APPENDIX I

ACCOUNTANT’S REPORT

- (ii) As of December 31, 2019, 2020, 2021 and June 30, 2022, bank deposits of RMB617,000, RMB1,452,000, RMB1,263,000 and RMB14,000 respectively was restricted, which held in designated bank accounts for repayment of the bank borrowings.

Restricted cash is denominated in the following currencies:

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
RMB	817	3,034	2,215	214

22 SHARE CAPITAL, SHARES HELD FOR RSUS AND SHARE PREMIUM

	Number of ordinary shares	Share capital amount US\$'000	Share capital amount RMB'000	Share premium RMB'000	Shares held for RSUs RMB'000
Ordinary shares of US\$1 each					
As at January 1, 2019	85,575,401	85,575	578,268	854,496	–
Issuance of shares to directors for compensation ⁽ⁱ⁾	168,843	169	1,162	2,707	–
Issuance of shares to shareholders for services ⁽ⁱⁱ⁾	1,178,058	1,178	8,210	20,509	–
Repurchase ⁽ⁱⁱⁱ⁾	(1,642,141)	(1,642)	(11,020)	(22,736)	–
As at December 31, 2019	<u>85,280,161</u>	<u>85,280</u>	<u>576,620</u>	<u>854,976</u>	<u>–</u>
As at January 1, 2020	85,280,161	85,280	576,620	854,976	–
Issuance of shares to directors for compensation ⁽ⁱ⁾	283,548	283	1,932	7,325	–
Issuance of shares to a shareholder for services ⁽ⁱⁱ⁾	617,647	618	4,125	10,065	–
As at December 31, 2020	<u>86,181,356</u>	<u>86,181</u>	<u>582,677</u>	<u>872,366</u>	<u>–</u>
As at January 1, 2021	86,181,356	86,181	582,677	872,366	–
Issuance of shares to directors for compensation ⁽ⁱ⁾	261,903	262	1,699	6,149	–
Issuance of shares to a shareholder for services ⁽ⁱⁱ⁾	617,647	618	3,947	9,512	–
Issuance of ordinary shares, net of issuance cost ⁽ⁱⁱⁱ⁾	5,887,403	5,887	37,504	218,843	–
Issuance of ordinary shares for RSUs ^(iv)	4,023,785	4,024	25,669	–	(25,669)
Transfer of vested RSUs (<i>Note</i> <i>29</i>)	–	–	–	36,868	12,835
As at December 31, 2021	<u>96,972,094</u>	<u>96,972</u>	<u>651,496</u>	<u>1,143,738</u>	<u>(12,834)</u>
(Unaudited)					
As at January 1, 2021	86,181,356	86,181	582,677	872,366	–
As at June 30, 2021	86,181,356	86,181	582,677	872,366	–
As at January 1, 2022	96,972,094	96,972	651,496	1,143,738	(12,834)
As at June 30, 2022	96,972,094	96,972	651,496	1,143,738	(12,834)

APPENDIX I

ACCOUNTANT’S REPORT

Details for the year ended December 31, 2019

- (i) Pursuant to the board resolutions dated on July 17, 2019, the Board approved that the compensation to certain directors of RMB3,869,000 for their service rendered would be paid in the form of 168,843 ordinary shares of the Company in the year, which was determined based on the then fair value of the ordinary shares.
- (ii) Pursuant to the board resolution dated on March 11, 2019, the Board approved the compensation of RMB5,378,000 payable to a shareholder for its financial advice and assistance rendered to the Group and such services fee shall be paid in the form of 207,470 ordinary shares of the Company in 2019, which is determined based on the then fair value of the ordinary shares.

On October 9, 2019, the Group signed a facility agreement with bank with guarantee provided by one of the shareholders, Good Taste Limited and one of the directors of the Company. The total fee payable to Good Taste Limited for the provision of guarantee was US\$7,522,000 (the “Guarantee Fee”), which was paid in the form of 2,205,882 ordinary shares of the Company and cash of US\$22,000. In 2019, the Company issued 970,588 ordinary shares and paid cash of RMB68,000, as settlement of the aforesaid guarantee fee. The prepaid guarantee fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates. For the year ended December 31, 2019, the related guarantee fee charged to finance costs was RMB4,408,000 (Note 9).

- (iii) In 2018, the Company provided a loan to certain employees to finance their payment on exercise price of vested options. In 2019, the Company repurchased the shares from these employees by the way of offsetting the employee loan with US\$3.16 per share, which is determined based on the fair value of the ordinary shares at repurchase date.

Details for the year ended December 31, 2020

- (i) Pursuant to the board resolutions dated on September 25, 2020, the Board approved that the compensation to the certain directors of RMB9,257,000 for their service rendered would be paid in the form of 283,548 ordinary shares of the Company in the year, which was determined based on the then fair value of the ordinary shares.
- (ii) In 2020, the Company issued 617,647 ordinary shares and paid cash of RMB42,000, as settlement of the aforesaid Guarantee Fee. The prepaid guarantee fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates. For the year ended December 31, 2020, the related guarantee fee charged to finance costs was RMB16,876,000 (Note 9).

Details for the year ended December 31, 2021

- (i) Pursuant to the board resolutions dated on July 20, 2021, the Board approved that the compensation to the certain directors of RMB7,848,000 for their service rendered would be paid in the form of 261,903 ordinary shares of the Company in the year, which was determined based on the then fair value of the ordinary shares.
- (ii) In 2021, the Company issued 617,647 ordinary shares and paid cash of RMB39,000, as settlement of the aforesaid Guarantee Fee. The prepaid guarantee fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates. For the year ended December 31, 2021, the related guarantee fee charged to finance costs was RMB16,126,000 (Note 9).
- (iii) On December 10, 2021, the Company issued 5,887,403 ordinary shares to certain investors at the placing price of approximately RMB260,653,000. Share issuance costs that are directly attributable to the issuance of the new shares amounted to approximately RMB4,306,000 which were accounted for deduction against the share premium arising from the issuance of the Company’s shares.
- (iv) In 2021, the Group issued 4,023,785 shares of the Company’s shares to various employees under RSUs (Note 29) with nil consideration. The respective share capital amount was approximately RMB25,669,000. The ordinary shares held for the Group’s RSUs were regarded as treasury shares and presented as a deduction in equity as “Shares held for RSUs”.

APPENDIX I

ACCOUNTANT’S REPORT

23 OTHER RESERVES

(i) The Group

	Currency translation differences <i>RMB'000</i>	Changes in the fair value attributable to credit risk change <i>RMB'000</i>	Share-based compensations <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2019	25,166	–	–	25,166
Currency translation differences	4,505	–	–	4,505
As at December 31, 2019	<u>29,671</u>	<u>–</u>	<u>–</u>	<u>29,671</u>
At January 1, 2020	29,671	–	–	29,671
Currency translation differences	(12,424)	–	–	(12,424)
Changes in the fair value attributable to credit risk change (<i>Note 25</i>)	–	(639)	–	(639)
As at December 31, 2020	<u>17,247</u>	<u>(639)</u>	<u>–</u>	<u>16,608</u>
At January 1, 2021	17,247	(639)	–	16,608
Currency translation differences	(1,961)	–	–	(1,961)
Changes in the fair value attributable to credit risk change (<i>Note 25</i>)	–	(3,776)	–	(3,776)
Share-based compensation expenses for employees	–	–	82,838	82,838
Transfer of vested RSUs	–	–	(49,703)	(49,703)
As at December 31, 2021	<u>15,286</u>	<u>(4,415)</u>	<u>33,135</u>	<u>44,006</u>
(Unaudited)				
At January 1, 2021	17,247	(639)	–	16,608
Currency translation differences	(2,226)	–	–	(2,226)
Changes in the fair value attributable to credit risk change (<i>Note 25</i>)	–	(3,446)	–	(3,446)
Share-based compensation expenses for employees	–	–	66,704	66,704
As at June 30, 2021	<u>15,021</u>	<u>(4,085)</u>	<u>66,704</u>	<u>77,640</u>
At January 1, 2022	15,286	(4,415)	33,135	44,006
Currency translation differences	(29,166)	–	–	(29,166)
Changes in the fair value attributable to credit risk change (<i>Note 25</i>)	–	(49)	–	(49)
Share-based compensation expenses for employees	–	–	18,064	18,064
As at June 30, 2022	<u>(13,880)</u>	<u>(4,464)</u>	<u>51,199</u>	<u>32,855</u>

APPENDIX I

ACCOUNTANT’S REPORT

(ii) The Company

	Currency translation differences <i>RMB'000</i>	Changes in the fair value attributable to credit risk change <i>RMB'000</i>	Share-based compensations <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2019	30,127	–	–	30,127
Currency translation differences	4,494	–	–	4,494
As at December 31, 2019	<u>34,621</u>	<u>–</u>	<u>–</u>	<u>34,621</u>
At January 1, 2020	34,621	–	–	34,621
Currency translation differences	2,222	–	–	2,222
Changes in the fair value attributable to credit risk change (<i>Note 25</i>)	–	(639)	–	(639)
As at December 31, 2020	<u>36,843</u>	<u>(639)</u>	<u>–</u>	<u>36,204</u>
At January 1, 2021	36,843	(639)	–	36,204
Currency translation differences	5,161	–	–	5,161
Changes in the fair value attributable to credit risk change (<i>Note 25</i>)	–	(3,776)	–	(3,776)
Share-based compensation expenses for employees	–	–	82,838	82,838
Transfer of vested RSUs	–	–	(49,703)	(49,703)
As at December 31, 2021	<u>42,004</u>	<u>(4,415)</u>	<u>33,135</u>	<u>70,724</u>
(Unaudited)				
At January 1, 2021	36,843	(639)	–	36,204
Currency translation differences	(1,321)	–	–	(1,321)
Changes in the fair value attributable to credit risk change (<i>Note 25</i>)	–	(3,446)	–	(3,446)
Share-based compensation expenses for employees	–	–	66,704	66,704
As at June 30, 2021	<u>35,522</u>	<u>(4,085)</u>	<u>66,704</u>	<u>98,141</u>
At January 1, 2022	42,004	(4,415)	33,135	70,724
Currency translation differences	(13,668)	–	–	(13,668)
Changes in the fair value attributable to credit risk change (<i>Note 25</i>)	–	(49)	–	(49)
Share-based compensation expenses for employees	–	–	18,064	18,064
As at June 30, 2022	<u>28,336</u>	<u>(4,464)</u>	<u>51,199</u>	<u>75,071</u>

APPENDIX I

ACCOUNTANT’S REPORT

24 BORROWING

	As at December 31,			As at
	2019 RMB'000	2020 RMB'000	2021 RMB'000	June 30, 2022 RMB'000
Borrowings included in current liabilities:				
Bank borrowings – secured (i)	–	30,000	180,000	–
Borrowings included in non-current liabilities:				
Bank borrowings – secured (i)	65,000	180,000	–	100,000
	<u>65,000</u>	<u>210,000</u>	<u>180,000</u>	<u>100,000</u>

- (i) On October 9, 2019, the Company signed a facility agreement with bank, subject to the terms of this agreement, the corresponding bank agrees to make available to the Company a RMB term loan facility in an aggregate amount of RMB210,000,000, which were secured by the corporate guarantee from Good Taste Limited (one of the shareholders of the Company), personal guarantee from James Marshall (one of the directors of the Company), and the pledges of 100% equity interest of Pizzavest China Ltd. and DPZ China, US\$16,250,000 of equity of Dash Beijing and US\$50,000,000 of equity of Dash Shanghai. The interest is paid every three months based on the draw down date.

As of December 31, 2019, the Group has drawn down RMB65,000,000 from the corresponding bank’s available facilities and the remaining facilities of RMB145,000,000 were drawn down in 2020. Pursuant to the repayment schedule, the principal of RMB10,000,000 shall be repayable on April 26, 2021, RMB20,000,000 shall be repayable on October 22, 2021, RMB20,000,000 shall be repayable on April 25, 2022 and eventually RMB160,000,000 shall be repayable on October 21, 2022, respectively. As of June 30, 2022, the Group has repaid the aggregate amount of RMB210,000,000 prior to the repayment schedule.

On March 28, 2022, Dash Shanghai signed a new facility agreement with another bank, subject to the terms of this agreement, the corresponding bank agrees to make available to the Company a RMB term loan facility in an aggregate amount of RMB200,000,000, which is guaranteed by Dash Beijing. As of June 30, 2022, Dash Shanghai has drawn down RMB100,000,000 from the corresponding bank’s available facilities. Pursuant to the repayment schedule, the principal of RMB100,000,000 shall be repayable on March 27, 2025. The interest is paid every three months based on the draw down date.

- (ii) The Group’s borrowings are denominated in RMB. As at December 31, 2019, 2020 and 2021, the bank borrowings bear interests at fixed interest rates and the effective interest rates were 6.9825%, 6.9825% and 6.9825% per annum, respectively. As at June 30, 2022, the bank borrowings bear interests at a floating interest rate and the effective interest rate is 4.8500% per annum.
- (iii) As at December 31, 2019, 2020, 2021 and June 30, 2022, the fair value of the long-term borrowing is RMB64,850,000, RMB179,806,000, nil and RMB100,258,000, respectively.

APPENDIX I

ACCOUNTANT’S REPORT

25 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
Convertible senior ordinary shares				RMB'000
(i)	–	275,077	784,426	826,886

(i) On May 4, 2020, the Company issued 8,651,546 fully paid convertible senior ordinary shares (“SOS First Closing”), and on January 29, 2021, the Company issued 8,142,631 fully paid convertible senior ordinary shares (“SOS Second Closing”) to Domino’s Pizza LLC (“DPI”) (Note 33(a)(i)). The shares are redeemable at 100% of its purchase price at US\$4.6234 per share and US\$4.9124 per share respectively with the accrued interests no less than an amount equal to the simple interest accruing annually at the rate of 15% on the earliest of May 4, 2024, which is the fourth anniversary of the issue date of SOS First Closing, if the Company fails to finish an IPO or the occurrence of a material breach of any covenants under a shareholders agreement with DPI.

On December 10, 2021, the Company issued 1,306,842 fully paid convertible senior ordinary shares (the “2021 SOS”) to DPI, which are redeemable at 100% of its purchase price at US\$6.9500 per share with the accrued interests no less than an amount equal to the simple interest accruing annually at the rate of 8% on the earliest of May 4, 2024, which is the fourth anniversary of the issue date of SOS First Closing, if the Company fails to finish an IPO or the occurrence of a material breach of any covenants under a shareholders agreement with DPI.

The convertible senior ordinary shares were classified as financial liabilities at fair value through profit or loss (“FVPL”) and initially recognized at fair value and subsequently measured at fair value as well.

The movement of the convertible senior ordinary shares are set out as below:

	SOS First Closing	SOS Second Closing	2021 SOS	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019, 2020	–	–	–	–
Issuance of SOS First Closing	282,757	–	–	282,757
Fair value changes charged to profit or loss	13,933	–	–	13,933
Fair value changes charged to other comprehensive income	639	–	–	639
Exchange difference	(22,252)	–	–	(22,252)
As at December 31, 2020	<u>275,077</u>	<u>–</u>	<u>–</u>	<u>275,077</u>

APPENDIX I

ACCOUNTANT’S REPORT

	SOS First Closing RMB’000	SOS Second Closing RMB’000	2021 SOS RMB’000	Total RMB’000
As at January 1, 2021	275,077	–	–	275,077
Issuance of SOS Second Closing	–	258,835	–	258,835
Issuance of 2021 SOS	–	–	57,858	57,858
Fair value changes charged to profit or loss	105,169	96,131	–	201,300
Fair value changes charged to other comprehensive income	1,984	1,792	–	3,776
Exchange difference	(7,529)	(4,941)	50	(12,420)
As at December 31, 2021	<u>374,701</u>	<u>351,817</u>	<u>57,908</u>	<u>784,426</u>
(Unaudited)				
As at January 1, 2021	275,077	–	–	275,077
Issuance of SOS Second Closing	–	258,835	–	258,835
Fair value changes charged to profit or loss	44,773	38,611	–	83,384
Fair value changes charged to other comprehensive income	1,509	1,937	–	3,446
Exchange difference	(2,963)	(634)	–	(3,597)
As at June 30, 2021	<u>318,396</u>	<u>298,749</u>	<u>–</u>	<u>617,145</u>
As at January 1, 2022	374,701	351,817	57,908	784,426
Fair value changes charged to profit or loss	524	550	5	1,079
Fair value changes charged to other comprehensive income	24	25	–	49
Exchange difference	19,743	18,538	3,051	41,332
As at June 30, 2022	<u>394,992</u>	<u>370,930</u>	<u>60,964</u>	<u>826,886</u>

The fair value of convertible senior ordinary shares was principally developed through the application of discounted cash flow and equity allocation. Between the date of issuance and December 31, 2020, 2021 and June 30, 2022, the equity value of the Company increased due to the expansion in the Group’s business volume.

For the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022, the key assumptions are:

	Year ended December 31,	Year ended December 31,	Six months ended June 30,
	2020	2021	2022
	%	%	%
Revenue growth rate	11.4-37.8	9.2-27.6	9.2-26.9
Pre-tax discount rate	19.1	18.3	18.3
Terminal growth rate	2.5	2.5	2.5
Volatility	41.8	40.0	40.0

The valuation of the convertible senior ordinary shares as of the respective balance sheet dates, was undertaken by Avista Valuation Advisory Limited, an independent qualified professional valuer.

APPENDIX I

ACCOUNTANT’S REPORT

Sensitivity analysis

Below is a sensitivity analysis based on the assumption that (i) estimated revenue, (ii) discount rate, (iii) the terminal growth rate or (iv) volatility has been changed. Had the estimated assumptions during the forecast period changed as shown below, the fair value of convertible senior ordinary shares would have changed to the following amounts:

	As at December 31,		As at
	2020	2021	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	2022
			<i>RMB'000</i>
Revenue amount decrease by 10%	209,205	618,987	657,005
Discount rate increases by 1 percentage point	248,389	711,688	753,705
Terminal growth rate decrease by 0.5 percentage point	268,731	765,617	807,090
Volatility decrease by 5 percentage	274,174	781,906	824,646

The key terms of the convertible senior ordinary shares are summarized as follows:

(a) Voting and dividend participating rights

All convertible senior ordinary shares shall have the right to one vote on any resolution of shareholders of the Company, have equal rights with regard to dividends, and have equal rights with regard to distributions of the surplus assets of the Company.

(b) Conversion rights

Each convertible senior ordinary shares shall be convertible, at the option of the holder thereof and without the payment of any additional consideration, at any time into one fully-paid and non-assessable ordinary share. Without any action being required by the holder of such shares and whether or not the certificates representing such shares are returned to the Company or its registered agent, the convertible senior ordinary shares shall automatically be converted into ordinary shares upon the closing of an IPO.

(c) Redemption feature

At any time following the earliest to occur of (a) the fourth (4th) anniversary of the SOS First Closing if an IPO has not occurred by then, or (b) a material breach by the Company of any covenants under a shareholders agreement dated on or about the first, the Company shall redeem all the subject shares by paying the redemption price in one lump sum in immediately available funds in U.S. Dollars to the respective convertible senior ordinary shareholders no more than forty-five (45) days from the date of the redemption notice. If the Company’s legally available funds are insufficient to effectuate the redemption in full, the Company shall effectuate the redemption with respect to any portion of the shares that it is legally permitted to effectuate and, with respect to any portion of the redemption price not paid by the Company in respect of any subject share requested to be redeemed on the redemption price payment date, the Company shall deliver to each convertible senior ordinary shareholder that holds such unredeemed subject shares a fifteen percent (15%) interest per annum for both the SOS First Closing and the SOS second closing, and eight percent (8%) interest for the 2021 SOS per annum, promissory note issued in favor of such convertible senior ordinary shareholder by the Company for the amount of Redemption Price payable for such unredeemed Subject Shares, with a term of twelve (12) months from the redemption price payment date.

APPENDIX I

ACCOUNTANT’S REPORT

(d) Liquidation right

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the Shareholders (after satisfaction of all creditors’ claims and claims that may be preferred by law) shall be distributed to the Shareholders of the Company in the following order and steps:

(i) to each holder of a convertible senior ordinary share prior and in preference to any distribution of any of the assets or funds of the Company to the holders of any other class or series of shares by reason of their ownership of such shares, an amount equal to one hundred percent (100%) of the original subscription price of such convertible senior ordinary share, plus a return on each convertible senior ordinary share of no less than an amount equal to the simple interest accruing annually based on a three hundred and sixty-five (365) day calendar year at the rate of fifteen percent (15%) for both the SOS First Closing and the SOS Second Closing, and eight percent (8%) for the 2021 SOS, calculated from the date of issuance of such convertible senior ordinary share, plus any declared but unpaid dividends of such convertible senior ordinary share as applicable; if the assets and funds thus distributed among the holders of the convertible senior ordinary shares shall be insufficient to permit the payment to such holders of the full convertible senior ordinary share amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the convertible senior ordinary shares in proportion to the aggregate convertible senior ordinary share amount each such holder is otherwise entitled to receive in accordance with the terms of the convertible senior ordinary shares; then (ii) to each holder of shares on an as-converted-to-ordinary shares basis (other than holders of the convertible senior ordinary shares), any remaining funds or assets of the Company legally available for distribution to the shareholders.

26 TRADE PAYABLES

The aging analysis of trade payables, based on invoice date, were as follows:

	As at December 31,			As at
	2019	2020	2021	June 30,
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	2022
				<i>RMB’000</i>
– Within 3 months	83,263	73,160	120,863	137,410
– Between 4 months to 6 months	729	501	3,831	734
– Over 6 months	–	82	2	3,699
	<u>83,992</u>	<u>73,743</u>	<u>124,696</u>	<u>141,843</u>

The carrying amounts of trade payables approximated their fair values as at the balance sheet date due to their short-term maturities, and these balances were all denominated in RMB.

APPENDIX I

ACCOUNTANT’S REPORT

27 ACCRUALS AND OTHER PAYABLES

(a) The Group

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Non-current				
Payables for stock appreciation rights	6,318	29,780	21,305	–
Payables for MFA ⁽ⁱ⁾	63,220	–	–	–
Provision for restoration costs	10,924	10,417	9,944	6,891
	<u>80,462</u>	<u>40,197</u>	<u>31,249</u>	<u>6,891</u>
Current				
Payables for stock appreciation rights	–	–	7,970	2,018
Salary and welfare payables	63,563	82,997	114,119	103,360
Payables for MFA ⁽ⁱ⁾	12,954	68,554	–	–
Payables for plant and equipment and intangible assets	32,037	66,389	65,510	69,484
Accrued expenses ⁽ⁱⁱ⁾	65,403	88,670	148,095	199,703
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	5,134	15,681	14,263	19,671
	<u>179,091</u>	<u>322,291</u>	<u>358,365</u>	<u>401,619</u>
Total accruals and other payables	<u>259,553</u>	<u>362,488</u>	<u>389,614</u>	<u>408,510</u>

(i) The payables for MFA represent the payables for the master franchise fee to DPIF (Note 33(c)(i)). For the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, the cash payments of the MFA amounted to RMB13,952,000, RMB13,050,000, RMB76,508,000 RMB12,736,000 and nil, respectively, which was in line with the payment schedule in the agreement. The payables were fully settled by the Group in December 2021.

(ii) Accrued expenses include accrued advertising and promotion expenses, accrued information technology expenses, accrued professional service expenses, accrued utilities expenses, accrued store operation expenses and accrued royalty expenses.

The carrying amounts of accruals and other payables approximated their fair values.

APPENDIX I

ACCOUNTANT’S REPORT

Accruals and other payables are denominated in the following currencies:

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
RMB	163,628	255,358	372,041	391,040
US\$	95,925	107,130	17,573	17,470
	<u>259,553</u>	<u>362,488</u>	<u>389,614</u>	<u>408,510</u>

(b) The Company

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Non-current				
Payables for stock appreciation rights	6,318	29,780	21,305	–
Current				
Payables for stock appreciation rights	–	–	7,970	2,018
Salary and welfare payables	3,320	4,202	5,403	12,932
Accrued expenses ⁽¹⁾	2,681	1,775	7,912	3,612
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	1,001	936	628	660
	<u>7,002</u>	<u>6,913</u>	<u>30,321</u>	<u>26,605</u>
Total accruals and other payables	<u>13,320</u>	<u>36,693</u>	<u>51,626</u>	<u>26,605</u>

(i) Accrued expenses include accrued professional service expenses.

The carrying amounts of accruals and other payables approximated their fair values.

Accruals and other payables are denominated in the following currencies:

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
US\$	<u>13,320</u>	<u>36,693</u>	<u>51,626</u>	<u>26,605</u>

APPENDIX I

ACCOUNTANT’S REPORT

28 DEFERRED INCOME TAX

	As at December 31,			As at
	2019 RMB'000	2020 RMB'000	2021 RMB'000	June 30, 2022 RMB'000
– Expected to be recovered within one year	11,786	23,762	50,263	48,188
– Expected to be recovered after one year	105,325	125,182	137,748	158,281
Deferred income tax assets – gross	117,111	148,944	188,011	206,469
Set-off of deferred income tax liabilities	(117,111)	(148,944)	(159,405)	(168,111)
Net deferred income tax assets	–	–	28,606	38,358
– Expected to be settled within one year	11,786	23,762	20,794	14,062
– Expected to be settled after one year	105,325	125,182	138,611	154,049
Deferred income tax liabilities – gross	117,111	148,944	159,405	168,111
Set-off of deferred income tax assets	(117,111)	(148,944)	(159,405)	(168,111)
Net deferred income tax liabilities	–	–	–	–

(a) Deferred income tax assets

	As at December 31,			As at
	2019 RMB'000	2020 RMB'000	2021 RMB'000	June 30, 2022 RMB'000
Lease liabilities	117,111	148,944	169,575	178,004
Accruals	–	–	16,288	22,409
Others	–	–	2,148	6,056
	117,111	148,944	188,011	206,469

APPENDIX I

ACCOUNTANT’S REPORT

The movement of the deferred income tax assets are set out as below:

	Lease liabilities	Accruals	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of January 1, 2019	89,480	–	–	89,480
Credited to profit or loss	27,631	–	–	27,631
As of December 31, 2019	117,111	–	–	117,111
Credited to profit or loss	31,833	–	–	31,833
As of December 31, 2020	148,944	–	–	148,944
Credited to profit or loss	20,631	16,288	2,148	39,067
As of December 31, 2021	<u>169,575</u>	<u>16,288</u>	<u>2,148</u>	<u>188,011</u>
(Unaudited)				
As of January 1, 2021	148,944	–	–	148,944
Credited to profit or loss	16,630	14,888	4,132	35,650
As of June 30, 2021	<u>165,574</u>	<u>14,888</u>	<u>4,132</u>	<u>184,594</u>
As of January 1, 2022	169,575	16,288	2,148	188,011
Credited to profit or loss	8,429	6,121	3,908	18,458
As of June 30, 2022	<u>178,004</u>	<u>22,409</u>	<u>6,056</u>	<u>206,469</u>
				As at
		As at December 31,		June 30,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets	<u>117,111</u>	<u>148,944</u>	<u>159,405</u>	<u>168,111</u>

APPENDIX I

ACCOUNTANT’S REPORT

The movement of the deferred tax liabilities are set out as below:

	Right-of-use assets RMB’000
As of January 1, 2019	89,480
Charged to profit or loss	<u>27,631</u>
As of December 31, 2019	<u><u>117,111</u></u>
Charged to profit or loss	31,833
As of December 31, 2020	<u><u>148,944</u></u>
Charged to profit or loss	<u>10,461</u>
As at December 31, 2021	<u><u>159,405</u></u>
(Unaudited)	
As of January 1, 2021	148,944
Charged to profit or loss	<u>8,886</u>
As of June 30, 2021	<u><u>157,830</u></u>
As of January 1, 2022	159,405
Charged to profit or loss	<u>8,706</u>
As of June 30, 2022	<u><u>168,111</u></u>

As at December 31, 2019, 2020, 2021 and June 30, 2022, the Group did not recognize deferred income tax assets of RMB46,254,000, RMB58,202,000, RMB72,315,000 and RMB72,965,000 in respect of tax losses of RMB185,014,000, RMB232,809,000, RMB289,258,000 and RMB291,859,000, respectively.

Deductible losses that are not recognized as deferred income tax assets will be expired as follows:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
– 2020	31,855	–	–	–
– 2021	11,993	10,687	–	–
– 2022	16,977	16,977	16,977	2,960
– 2023	61,521	61,521	61,521	61,030
– 2024	62,668	69,295	69,295	69,295
– 2025	–	74,329	74,329	74,329
– 2026	–	–	67,136	66,529
– 2027	–	–	–	17,716
	<u>185,014</u>	<u>232,809</u>	<u>289,258</u>	<u>291,859</u>

APPENDIX I

ACCOUNTANT’S REPORT

29 SHARE-BASED COMPENSATION EXPENSE/(REVERSAL)

	Year ended December 31,			Six months ended June 30,	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Directors’ compensation	6,788	8,506	7,805	3,928	6,676
Stock appreciation rights (note a)	2,144	24,696	178	(19,948)	(28,078)
RSUs (note b)	—	—	82,838	66,704	18,064
	<u>8,932</u>	<u>33,202</u>	<u>90,821</u>	<u>50,684</u>	<u>(3,338)</u>

(a) Stock appreciation rights

On January 1, 2018, the Company adopted the SAR to encourage key employees and directors to contribute to the success of the Group and to operate and manage the Group’s business in a manner that will provide for the Group’s long-term growth and profitability.

The first 50% of SAR will be vested up to 12.5% as of each of the first, second, third and fourth anniversaries of the vesting commencement, subject to the achievement of certain performance-based metrics. The other 50% will be vested on the occurrence of an IPO and subject to such participant’s continuous service from the grant date through the IPO date.

The awards granted by the Company gives the employee the right to receive cash of which the value is dependent on the appreciation in the Company’s equity value between the grant date and the exercise date. Such amount is payable by the Company upon the completion of an IPO.

Total expenses arising from the stock appreciation rights charged to profit or loss for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022 amounted to approximately RMB2,144,000, RMB24,696,000, RMB28,156,000, RMB8,030,000 and RMB1,703,000, respectively.

On January 1, 2021, the Group cancelled the SAR for some employees and has reversed expenses of approximately RMB27,978,000 accordingly.

On April 30, 2022, the Group cancelled the SAR for the remaining employees and reversed expenses of RMB29,781,000 in 2022. At this point, the Group has cancelled the SAR for all existing employees.

The key assumption applied in the determination of exit value of the Company include (i) estimated revenue amount, (ii) discount rate or (iii) the terminal growth rate as below:

	2019	2020	2021	June 30, 2021	June 30, 2022
	%	%	%	%	%
Revenue increase rate	11.4 – 39.3	11.4 – 37.8	9.2 – 27.6	10.4 – 33.5	9.2 – 26.9
Discount rate	19.9	19.1	18.3	19.1	18.3
Terminal growth rate	<u>3.0</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>

The exit equity value was determined based on the valuation results from an independent qualified appraisal firm, Avista Valuation Advisory Limited.

APPENDIX I

ACCOUNTANT’S REPORT

(b) RSUs

According to the board resolution dated January 1, 2021, the Company set up a share incentive plan (the “2021 Plan”) with a maximum aggregate 7,000,000 ordinary shares that may be issued under the 2021 Plan. On the same date, award agreements were entered with various employees which granted a total of 4,023,785 restricted share units.

Pursuant to the board resolution and award agreements, all the 4,023,785 restricted share units were granted and vested immediately on January 1, 2021. However, 50% of each employee’s vested RSUs and the underlying ordinary shares issued to the employees will be forfeited and terminated if the employees leave the Company before the completion of the IPO of the Company, which was treated as a vesting condition in accounting.

According to the board resolution dated April 30, 2022, the Company granted 1,266,075 restricted share units to certain employees. There are various vesting conditions, either vest on the completion of the IPO of the Company or vest with service conditions.

Expenses arising from this equity settled share-based compensation amounted to approximately RMB82,838,000, RMB66,704,000 and RMB18,064,000, which were recognized in profit or loss for the year ended December 31, 2021 and the six months ended June 30, 2021 and 2022, respectively.

The fair value of the shares granted and the key assumptions to the valuation at the grant date are summarized as below:

	As at January 1, 2021	As at April 30, 2022
Fair value of the shares granted (US\$ per share)	3.83	6.20
Revenue growth rate	11.4% – 37.8%	9.2% – 26.9%
Pre-tax discount rate	19.1%	18.3%
Terminal growth rate	2.5%	2.5%
	<u> </u>	<u> </u>
		Numbers of RSUs
Outstanding as at December 31, 2019 and 2020		–
Granted during the period		4,023,785
Vested during the period		<u>(2,011,893)</u>
Outstanding as at December 31, 2021		<u>2,011,892</u>
(Unaudited)		
Outstanding as at December 31, 2020		–
Granted during the period		4,023,785
Vested during the period		<u>(2,011,893)</u>
Outstanding as at June 30, 2021		<u>2,011,892</u>
Outstanding as at December 31, 2021		2,011,892
Granted during the period		1,266,075
Vested during the period		<u>(209,595)</u>
Outstanding as at June 30, 2022		<u>3,068,372</u>

APPENDIX I

ACCOUNTANT’S REPORT

30 INVESTMENTS IN SUBSIDIARIES

	As at December 31,			As at
	2019	2020	2021	June 30, 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Interest in subsidiaries ⁽ⁱ⁾	1,384,777	1,660,010	1,919,426	2,046,918
Deemed investments arising from share-based compensation ⁽ⁱⁱ⁾	6,318	29,780	111,155	106,739
Amounts due from subsidiaries ⁽ⁱⁱⁱ⁾	316,273	295,946	289,222	304,352
	<u>1,707,368</u>	<u>1,985,736</u>	<u>2,319,803</u>	<u>2,458,009</u>

- (i) Details of the subsidiaries of the Company are disclosed in Note 16.
- (ii) The amount represents share-based compensation expenses arising from the grant of stock appreciation rights and RSUs of the Company to employees and a director of certain subsidiaries in consideration for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries.
- (iii) The amount represents payments on behalf of subsidiaries and the Company has no plan to recover these amounts in the foreseeable future.

31 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Cash generated from in operations

	Note	Year ended December 31,			Six months ended June 30,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss before income tax		(181,550)	(267,677)	(478,122)	(214,115)	(85,737)
Adjustments for:						
Depreciation of plant and equipment	13	57,737	76,932	98,656	46,859	56,673
Depreciation of right-of-use assets	14	98,612	128,426	162,049	76,574	90,984
Amortization of intangible assets	15	36,111	40,210	43,031	20,842	23,477
Fair value losses on financial liabilities at FVPL	25	–	13,933	201,300	83,384	1,079
Finance costs	9	52,612	63,099	89,531	41,949	49,108
Share-based compensation expensed/(reversal), net	29	8,932	33,202	90,821	50,684	(3,338)
Impairment of plant and equipment, right-of-use assets and intangible assets	8	2,221	6,606	4,635	–	–
Provision for impairment of trade and other receivables, net		234	283	47	(16)	79
Interest income	8, 9	(3,060)	(2,717)	(3,462)	(1,749)	(2,225)
Loss on disposal of plant and equipment and intangible assets	8	1,473	792	2,362	683	3,383
Gain on termination of lease contracts	8	–	–	(4,211)	(3,957)	(454)
Changes in working capital:						
Increase in inventories		(5,577)	(4,587)	(10,840)	(2,297)	(10,700)
(Increase)/decrease in prepayments and other receivables		(11,675)	(26,776)	7,368	8,487	17,456
Decrease/(increase) in trade receivables		1,058	(1,344)	(952)	(15)	59
(Increase)/decrease in restricted cash		(817)	(2,217)	819	828	752
Increase/(decrease) in trade payables		25,680	(10,249)	50,953	22,454	17,147
Increase in contract liabilities		–	5,502	5,941	4,163	3,853
Increase in accruals and other payables		42,356	50,125	78,536	29,090	32,200
Cash generated from operations		<u>124,347</u>	<u>103,543</u>	<u>338,462</u>	<u>163,848</u>	<u>193,796</u>

APPENDIX I

ACCOUNTANT’S REPORT

(b) Proceeds from disposal of plant and equipment

	Note	Year ended December 31,			Six months ended	
		2019 RMB'000	2020 RMB'000	2021 RMB'000	June 30, 2021 RMB'000	2022 RMB'000
Net book amount	13	1,428	5,656	3,540	1,549	3,171
Losses on disposal of plant and equipment		<u>(1,428)</u>	<u>(757)</u>	<u>(2,330)</u>	<u>(655)</u>	<u>(3,171)</u>
Proceeds from disposal of plant and equipment		<u>–</u>	<u>4,899</u>	<u>1,210</u>	<u>894</u>	<u>–</u>

(c) Significant non-cash transactions include the settlement of employee loan with repurchase of shares from employees (Note 22) and share-based compensations (Note 29). There were no other significant non-cash investing and financing activities for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022.

(d) Net cash reconciliation

This section sets out an analysis of net cash and the movements in net cash for each of the periods presented.

Net debt	As at December 31,			As at June 30,	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000	2022 RMB'000
Cash and cash equivalents	83,657	257,390	656,672	461,701	576,944
Restricted cash	817	3,034	2,215	2,206	214
Borrowings – repayable within one year (including interest payable)	(1,049)	(31,841)	(181,449)	(41,611)	(135)
Borrowings – repayable after one year	(65,000)	(180,000)	–	(160,000)	(100,000)
Financial liabilities at FVPL	–	(275,077)	(784,426)	(617,145)	(826,886)
Lease liabilities – payable within one year	(98,503)	(128,046)	(141,212)	(139,466)	(162,941)
Lease liabilities – payable after one year	(386,491)	(501,535)	(540,112)	(531,038)	(572,081)
Long term payable – within one year	(12,954)	(68,554)	–	(59,981)	–
Long term payable – after one year	<u>(63,220)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net debt	<u>(542,743)</u>	<u>(924,629)</u>	<u>(988,312)</u>	<u>(1,085,334)</u>	<u>(1,084,885)</u>
Cash and cash equivalents	83,657	257,390	656,672	461,701	576,944
Restricted cash	817	3,034	2,215	2,206	214
Gross debt	<u>(627,217)</u>	<u>(1,185,053)</u>	<u>(1,647,199)</u>	<u>(1,549,241)</u>	<u>(1,662,043)</u>
Net debt	<u>(542,743)</u>	<u>(924,629)</u>	<u>(988,312)</u>	<u>(1,085,334)</u>	<u>(1,084,885)</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Liabilities from financing activities						
	Cash and cash equivalents RMB'000	Restricted cash RMB'000	Lease liabilities RMB'000	Long term payable RMB'000	Borrowings and interest payable	Financial liabilities at FVPL RMB'000	Total RMB'000
					RMB'000		
Net debt as at January 1, 2019	216,862	–	(370,486)	(77,385)	–	–	(231,009)
Cash flows	(131,888)	817	118,430	13,952	(65,000)	–	(63,689)
Recognition of right-of- use-assets	–	–	(203,225)	–	–	–	(203,225)
Other non-cash movements	(1,317)	–	(29,713)	(12,741)	(1,049)	–	(44,820)
Net debt as at December 31, 2019	83,657	817	(484,994)	(76,174)	(66,049)	–	(542,743)
Cash flows	184,704	2,217	149,803	13,050	(135,391)	(282,757)	(68,374)
Recognition of right-of- use-assets	–	–	(257,030)	–	–	–	(257,030)
Other non-cash movements	(10,971)	–	(37,360)	(5,430)	(10,401)	7,680	(56,482)
Net debt as at December 31, 2020	257,390	3,034	(629,581)	(68,554)	(211,841)	(275,077)	(924,629)
Cash flows	393,334	(819)	195,703	76,508	44,563	(316,693)	392,596
Recognition of right-of- use-assets	–	–	(202,998)	–	–	–	(202,998)
Other non-cash movements	5,948	–	(44,448)	(7,954)	(14,171)	(192,656)	(253,281)
Net debt as at December 31, 2021	656,672	2,215	(681,324)	–	(181,449)	(784,426)	(988,312)
(Unaudited)							
Net debt as at January 1, 2021	257,390	3,034	(629,581)	(68,554)	(211,841)	(275,077)	(924,629)
Cash flows	202,354	(828)	89,760	12,736	17,535	(258,835)	62,722
Recognition of right-of- use-assets	–	–	(110,968)	–	–	–	(110,968)
Other non-cash movements	1,957	–	(19,715)	(4,163)	(7,305)	(83,233)	(112,459)
Net debt as at June 30, 2021	461,701	2,206	(670,504)	(59,981)	(201,611)	(617,145)	(1,085,334)
Net debt as at January 1, 2022	656,672	2,215	(681,324)	–	(181,449)	(784,426)	(988,312)
Cash flows	(91,785)	(752)	96,872	–	88,824	–	93,159
Recognition of right-of- use-assets	–	–	(124,698)	–	–	–	(124,698)
Other non-cash movements	12,057	(1,249)	(25,872)	–	(7,510)	(42,460)	(65,034)
Net debt as at June 30, 2022	576,944	214	(735,022)	–	(100,135)	(826,886)	(1,084,885)

APPENDIX I

ACCOUNTANT’S REPORT

32 COMMITMENTS

(a) Capital commitments

The table below sets forth the Group’s capital commitments as of the respective balance sheet dates:

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB’000	RMB’000	RMB’000	2022
				RMB’000
Contracted but not provided for	64,836	67,558	61,137	35,006

(b) Lease commitments

Future minimum short-term and low-value leases payables under non-cancellable operating leases of the Group as at the reporting dates are as follows:

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB’000	RMB’000	RMB’000	2022
				RMB’000
– No later than 1 year	296	663	1,042	1,102

33 RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions.

The shareholders who have significant influence over the Group, directors, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the Directors, the related party transactions were carried out in normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Related parties of the Group

Name of related parties	Relationship
DPI	Significant influences over the Company
DPIF	Subsidiary company of DPI
Domino’s Pizza Distribution LLC (“DPD”)	Subsidiary company of DPI
Good Taste Limited (“GTL”)	A shareholder
James Marshall	A director of the Company

Note:

- (i) After DPI purchased convertible senior ordinary share (note 25) issued by the Company on May 4, 2020, DPI has significant influence on the Company and has the right to designate a director representative in the board of directors of the Company and DPIF and DPD became related parties of the Company since then.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the Track Record Period, and balances arising from related party transactions as at the respective financial position dates.

APPENDIX I

ACCOUNTANT’S REPORT

(b) Transactions with related parties

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
(i) Pulse license* fee and enhancement fee					
– DPD	–	1,626	3,323	2,259	2,766
	<u>–</u>	<u>1,626</u>	<u>3,323</u>	<u>2,259</u>	<u>2,766</u>

* store operation system authorized for use by DPD at an agreed fee.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
(ii) Store franchise fees					
– DPIF	–	4,152	3,190	1,401	1,125
	<u>–</u>	<u>4,152</u>	<u>3,190</u>	<u>1,401</u>	<u>1,125</u>

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
(iii) Royalty fee*					
– DPIF	–	22,464	43,589	22,714	25,298
	<u>–</u>	<u>22,464</u>	<u>43,589</u>	<u>22,714</u>	<u>25,298</u>

* a sale-based royalty under the franchise agreement with DPIF, which will be charged by DPIF when each sales order occurs.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
(iv) Director service fee					
– DPI	–	843	1,193	601	605
– GTL	2,150	3,173	3,031	1,526	2,346
	<u>2,150</u>	<u>4,016</u>	<u>4,224</u>	<u>2,127</u>	<u>2,951</u>

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
(v) Guarantee fee					
– GTL and James Marshall	4,408	16,876	16,126	8,116	12,269
	<u>4,408</u>	<u>16,876</u>	<u>16,126</u>	<u>8,116</u>	<u>12,269</u>

During the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, the Group’s bank borrowings and banking facilities were secured by Good Taste Limited and the personal guarantee from James Marshall as set out in Note 24. The guarantee was released in April, 2022.

The above related party transactions were carried out on terms mutually agreed between the parties.

APPENDIX I

ACCOUNTANT’S REPORT

(c) Balances with related parties

Non-trade in nature:

Amounts due to related parties

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
(i) Accruals and other payables				
– DPIF	–	68,554	–	27,100
– DPD	–	–	–	2,837
	<u>–</u>	<u>68,554</u>	<u>–</u>	<u>29,937</u>

Prepayments to related parties

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
(i) Prepayment-non current				
– GTL	4,883	1,957	–	–
	<u>4,883</u>	<u>1,957</u>	<u>–</u>	<u>–</u>

	Year ended December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
(ii) Prepayment- current				
– GTL	13,778	12,927	11,954	–
	<u>13,778</u>	<u>12,927</u>	<u>11,954</u>	<u>–</u>

(d) Key management compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors as disclosed in note 34 and certain of the highest paid employees as disclosed in note 7(c), is as follows:

	Year ended December 31,			Six months ended	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Salaries, wages and bonuses	14,829	12,459	25,357	8,018	7,959
Contributions to pension plan	196	161	210	106	119
Housing fund, medical insurance and other social insurance	206	208	279	126	141
Other benefits	683	670	766	372	413
Share-based compensation (i)	1,887	17,840	58,753	29,087	(11,533)
	<u>17,801</u>	<u>31,338</u>	<u>85,365</u>	<u>37,709</u>	<u>(2,901)</u>

APPENDIX I

ACCOUNTANT’S REPORT

- (i) Total expenses arising from share-based compensation charged to profit or loss for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022 amounted to approximately RMB1,887,000, RMB17,840,000, RMB80,001,000, RMB50,335,000 and RMB18,248,000, respectively.

On January 1, 2021 and April 30, 2022, the Group cancelled the SAR for key managements, with expenses reversals of RMB21,248,000 and RMB29,781,000 in 2021 and 2022, respectively.

34 BENEFITS AND INTEREST OF DIRECTORS

(a) Directors’ and chief executive’s emoluments

The remuneration of every director and the chief executive is set out below.

For the year ended December 31, 2019, emoluments paid or payable in respect of a person’s services as a director, whether of the Company or its subsidiary undertaking:

Name of directors/ chief executive	Director service fees <i>RMB’000</i>	Salary <i>RMB’000</i>	Discretionary bonuses <i>RMB’000</i>	Employer’s	Other social	Share-based compensations <i>RMB’000</i>	Total <i>RMB’000</i>
				to benefit scheme <i>RMB’000</i>	benefit and others <i>RMB’000</i>		
Frank P. Krasovec	2,456	–	–	–	–	–	2,456
Zohar Ziv	1,073	–	–	–	–	–	1,073
David Brian Barr	1,073	–	–	–	–	–	1,073
Samuel Chun Kong							
Shih	1,073	–	–	–	–	–	1,073
Matthew Ridgwell (i)	1,323	–	–	–	–	–	1,323
James Marshall (ii)	827	–	–	–	–	–	827
Aileen Wang (iii)	–	2,520	4,258	49	220	1,692	8,739
	<u>7,825</u>	<u>2,520</u>	<u>4,258</u>	<u>49</u>	<u>220</u>	<u>1,692</u>	<u>16,564</u>

- (i) Matthew Ridgwell was appointed as a director of the Company since April 18, 2019. For the year ended December 31, 2019, director service fee for Matthew Ridgwell of RMB683,000 was paid to Good Taste Limited, and RMB640,000 was paid directly to Matthew Ridgwell.
- (ii) James Marshall was appointed as a director of the Company since April 18, 2019. For the year ended December 31, 2019, director service fee for James Marshall of RMB827,000 was paid to Good Taste Limited.
- (iii) For the year ended December 31, 2019, Aileen Wang was the chief executive and was not a director. The total emoluments of RMB8,739,000 paid or payable to Aileen Wang was for her services as the chief executive.

APPENDIX I

ACCOUNTANT’S REPORT

For the year ended December 31, 2020, emoluments paid or payable in respect of a person’s services as a director, whether of the Company or its subsidiary undertaking:

Name of directors/ chief executive	Director service fees <i>RMB'000</i>	Salary <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Employer's	Other social	Share-based compensations <i>RMB'000</i>	Total <i>RMB'000</i>
				contribution to benefit scheme <i>RMB'000</i>	benefit and others <i>RMB'000</i>		
Frank P. Krasovec	2,599	-	-	-	-	-	2,599
Zohar Ziv	1,249	-	-	-	-	-	1,249
David Brian Barr	1,249	-	-	-	-	-	1,249
Samuel Chun Kong							
Shih	1,249	-	-	-	-	-	1,249
Matthew Ridgwell (i)	1,924	-	-	-	-	-	1,924
James Marshall (ii)	1,249	-	-	-	-	-	1,249
Joseph Jordan (iii)	843	-	-	-	-	-	843
Aileen Wang (iv)	-	2,709	2,519	45	200	13,102	18,575
	<u>10,362</u>	<u>2,709</u>	<u>2,519</u>	<u>45</u>	<u>200</u>	<u>13,102</u>	<u>28,937</u>

- (i) For the year ended December 31, 2020, director service fee for Matthew Ridgwell of RMB1,300,000 was paid to Good Taste Limited, and RMB624,000 was paid directly to Matthew Ridgwell.
- (ii) For the year ended December 31, 2020, director service fee for James Marshall of RMB1,249,000 was paid to Good Taste Limited.
- (iii) Joseph Jordan was appointed as a director of the Company since September 1, 2020. For the year ended December 31, 2020, director service fee for Joseph Jordan of RMB843,000 was paid to Domino’s Pizza LLC.
- (iv) For the year ended December 31, 2020, Aileen Wang was the chief executive and was not a director. The total emoluments of RMB18,575,000 paid or payable to Aileen Wang was for her services as the chief executive.

For the year ended December 31, 2021, emoluments paid or payable in respect of a person’s services as a director, whether of the Company or its subsidiary undertaking:

Name of directors/ chief executive	Director service fees <i>RMB'000</i>	Salary <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Employer's	Other social	Share-based compensations <i>RMB'000</i>	Total <i>RMB'000</i>
				contribution to benefit scheme <i>RMB'000</i>	benefit and others <i>RMB'000</i>		
Frank P. Krasovec	2,483	-	-	-	-	-	2,483
Zohar Ziv	1,193	-	-	-	-	-	1,193
David Brian Barr	1,193	-	-	-	-	-	1,193
Samuel Chun Kong							
Shih	1,193	-	-	-	-	-	1,193
Matthew Ridgwell (i)	1,838	-	-	-	-	-	1,838
James Marshall (ii)	1,193	-	-	-	-	-	1,193
Joseph Jordan (iii)	1,193	-	-	-	-	-	1,193
Aileen Wang (iv)	-	2,772	6,360	57	202	40,275	49,666
	<u>10,286</u>	<u>2,772</u>	<u>6,360</u>	<u>57</u>	<u>202</u>	<u>40,275</u>	<u>59,952</u>

APPENDIX I

ACCOUNTANT’S REPORT

- (i) For the year ended December 31, 2021, director service fee for Matthew Ridgwell of RMB1,838,000 was paid directly to Good Taste Limited.
- (ii) For the year ended December 31, 2021, director service fee for James Marshall of RMB1,193,000 was paid directly to Good Taste Limited.
- (iii) For the year ended December 31, 2021, director service fee for Joseph Jordan of RMB1,193,000 was paid directly to Domino’s Pizza LLC.
- (iv) Aileen Wang was appointed as a director of the Company since June 2, 2021. The total emoluments of RMB49,666,000 paid or payable to Aileen Wang was for her services as the chief executive.

For the six months ended June 30, 2021, emoluments paid or payable in respect of a person’s services as a director, whether of the Company or its subsidiary undertaking:

Name of directors/ chief executive (Unaudited)	Employer’s						
	Director service fees <i>RMB’000</i>	Salary <i>RMB’000</i>	Discretionary bonuses <i>RMB’000</i>	contribution to benefit scheme <i>RMB’000</i>	Other social benefit and others <i>RMB’000</i>	Share-based compensations <i>RMB’000</i>	Total <i>RMB’000</i>
Frank P. Krasovec	1,250	-	-	-	-	-	1,250
Zohar Ziv	601	-	-	-	-	-	601
David Brian Barr	601	-	-	-	-	-	601
Samuel Chun Kong Shih	601	-	-	-	-	-	601
Matthew Ridgwell (i)	925	-	-	-	-	-	925
James Marshall (ii)	601	-	-	-	-	-	601
Joseph Jordan (iii)	601	-	-	-	-	-	601
Aileen Wang (iv)	-	1,386	1,908	27	99	19,967	23,387
	<u>5,180</u>	<u>1,386</u>	<u>1,908</u>	<u>27</u>	<u>99</u>	<u>19,967</u>	<u>28,567</u>

- (i) For the six months ended June 30, 2021, director service fee for Matthew Ridgwell of RMB925,000 was paid directly to Good Taste Limited.
- (ii) For the six months ended June 30, 2021, director service fee for James Marshall of RMB601,000 was paid directly to Good Taste Limited.
- (iii) For the six months ended June 30, 2021, director service fee for Joseph Jordan of RMB601,000 was paid directly to Domino’s Pizza LLC.
- (iv) Aileen Wang was appointed as a director of the Company since June 2, 2021. The total emoluments of RMB23,387,000 paid or payable to Aileen Wang was for her services as the chief executive.

APPENDIX I

ACCOUNTANT’S REPORT

For the six months ended June 30, 2022, emoluments paid or payable in respect of a person’s services as a director, whether of the Company or its subsidiary undertaking:

Name of directors/ chief executive	Director service fees RMB’000	Salary RMB’000	Discretionary bonuses RMB’000	Employer’s contribution to benefit scheme RMB’000	Other social benefit and others RMB’000	Share-based compensations RMB’000	Total RMB’000
Frank P. Krasovec	1,578	-	-	-	-	-	1,578
Zohar Ziv	923	-	-	-	-	-	923
David Brian Barr	923	-	-	-	-	-	923
Samuel Chun Kong Shih	923	-	-	-	-	-	923
Matthew Ridgwell (i)	596	-	-	-	-	-	596
James Marshall (ii)	1,750	-	-	-	-	-	1,750
Joseph Jordan (iii)	605	-	-	-	-	-	605
Lihong Wang (iv)	637	-	-	-	-	-	637
Aileen Wang (v)	-	1,478	915	30	104	(19,033)	(16,506)
	<u>7,935</u>	<u>1,478</u>	<u>915</u>	<u>30</u>	<u>104</u>	<u>(19,033)</u>	<u>(8,571)</u>

- (i) For the six months ended June 30, 2022, director service fee for Matthew Ridgwell of RMB596,000 was paid directly to Good Taste Limited.
- (ii) For the six months ended June 30, 2022, director service fee for James Marshall of RMB1,750,000 was paid directly to Good Taste Limited.
- (iii) For the six months ended June 30, 2022, director service fee for Joseph Jordan of RMB605,000 was paid directly to Domino’s Pizza LLC.
- (iv) Lihong Wang was appointed as the Company’s independent non-executive director on March 18, 2022. Lihong Wang did not receive any director’s remuneration in the Company as a director during the Track Record Period.
- (v) The total emoluments paid or payable to Aileen Wang was for her services as the chief executive. The negative amount of share-based compensations was mainly due to the cancellation of SAR in 2022.

(b) Directors’ retirement and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022.

(c) Consideration provided to third parties for making available directors’ services

Other than the directors’ emoluments disclosed above, the Group did not pay consideration to any third parties for making available directors’ services during the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022.

(d) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with such directors.

No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by or entities connected with directors subsisted at the end of the year or at any time during the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022.

APPENDIX I

ACCOUNTANT’S REPORT

(e) Directors’ material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of December 31, 2019, 2020, 2021 and June 30, 2022 or at any time during the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022.

35 SUBSEQUENT EVENTS

In July 2022, the Company issued 262,133 shares for compensation of director service and issued 209,595 shares pursuant to the RSU granted on April 30, 2022. In October 2022, the Company issued 53,955 shares for compensation of director service.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any the companies now comprising the Group in respect of any period subsequent to June 30, 2022 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2022.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2022 is extracted from the Accountant’s Report set out in Appendix I to this [REDACTED], which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at June 30, 2022 of RMB851,251,000 with adjustments for the intangible assets as at June 30, 2022 of RMB1,241,978,000.
- (2) The estimated net [REDACTED] from the [REDACTED] are based on the indicative [REDACTED] of [REDACTED] and [REDACTED], respectively, after deduction of the [REDACTED] fees and other related expenses (excluding [REDACTED] expenses of approximately [REDACTED] which have been accounted for during the Track Record Period) paid/payable by the Company and takes no account of any Shares which may fall to be issued upon the exercise of the [REDACTED], exercise of options or awards granted under the Share Incentive Plan or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.
- (3) All convertible senior ordinary shares will be automatically converted into fully-paid ordinary shares on a one-for-one basis upon completion of the [REDACTED]. The convertible senior ordinary shares were accounted for as a liability to the Group. Accordingly, for the purpose of the unaudited pro forma adjusted consolidated net tangible assets, the adjustment represents the impact of the conversion of all convertible senior ordinary shares into ordinary shares. The estimated impact is [REDACTED], being the carrying amount of the convertible senior ordinary shares as at June 30, 2022.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares were in issue assuming that the [REDACTED] have been completed on June 30, 2022 (including [4,341,295] shares granted pursuant to the restricted share unit plan prior to June 30, 2022 that were vested prior to or to be vested upon the completion of the [REDACTED]) but takes no account of the [948,566] shares granted pursuant to the restricted share unit plan that are subject to vesting conditions, the [316,088] shares issued subsequent to June 30, 2020, any Shares which may fall to be issued upon the exercise of the [REDACTED], exercise of options or awards granted under the Share Incentive Plan or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

However, had such (i) [948,566] shares granted pursuant to the restricted share unit plan that are subject to vesting conditions and (ii) the issuance of [316,088] shares subsequent to June 30, 2022 been taken into account, such that [REDACTED] shares are in issue immediately following the completion of the [REDACTED], the unaudited pro forma adjusted net tangible assets per Share would have been [REDACTED] (equivalent to [REDACTED]) and [REDACTED] (equivalent to [REDACTED]) based on the [REDACTED] of [REDACTED] and [REDACTED], respectively.

- (5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets per share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of RMB[0.9044] to HKD1.00. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2022.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND BVI COMPANY LAW

2 Articles of Association

The Articles of Association of the Company were filed on [●] and include provisions to the following effect:

2.1 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the BVI Business Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased authorised shares) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by resolution of members and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return applicable to shares or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the BVI Business Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution of members, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the BVI Business Companies Act expressly directed or required to be exercised or done by resolution of members, but subject nevertheless to the provisions of the BVI Business Companies Act and of the Articles of Association and to any regulation from time to time made by resolution of members not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF OUR
COMPANY AND BVI COMPANY LAW**

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(f) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his or her appointment and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by resolution of members remove any Director (including a Managing Director or other executive Director) before the expiration of his term of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may also by resolution of members appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by resolution of members elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

APPENDIX III **SUMMARY OF THE CONSTITUTION OF OUR
COMPANY AND BVI COMPANY LAW**

2.5 *Special resolution – majority required*

A “special resolution of members” is defined in the Articles of Association as a resolution passed by a majority of not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution of members has been duly given and includes a special resolution of members approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution of members so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, a “resolution of members” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes a resolution of members approved in writing by all the members of the Company aforesaid.

2.6 *Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting (a) every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have the right to speak, (b) on a show of hands, every member present in such manner shall have one vote, and (c) on a poll, every member present in such manner shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF OUR
COMPANY AND BVI COMPANY LAW**

requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.8 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the BVI Business Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the BVI Business Companies Act or any other relevant law or regulation or as authorised by the Directors or by the resolution of members.

2.9 Auditors

The Company shall at every annual general meeting by resolution of members appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of a resolution of members. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by resolution of members provided that in respect of any particular year the Company may by resolution of members delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution of members shall specify the intention to propose the resolution as a special resolution of members. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF OUR
COMPANY AND BVI COMPANY LAW**

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company by resolution of members have resolved that a dividend be paid or declared on the shares in the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by resolution of members resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

APPENDIX III **SUMMARY OF THE CONSTITUTION OF OUR
COMPANY AND BVI COMPANY LAW**

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of a resolution of the members, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF OUR
COMPANY AND BVI COMPANY LAW**

of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF OUR
COMPANY AND BVI COMPANY LAW**

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by resolution of members determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairperson which shall not be treated as part of the business of the meeting.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND BVI COMPANY LAW

2 Incorporation

The Company was incorporated in the BVI as a business company with limited liability on 30 April 2008 under the BVI Business Companies Act. The Company is required to pay an annual fee to the Registrar of Corporate Affairs in the BVI which is based on the maximum number of shares the Company is authorised to issue.

3 Shares

One of the major features of the BVI Business Companies Act is that the concept of share capital has been abolished.

Instead, a company limited by, or otherwise authorised to issue, shares, can simply state in its memorandum of association the maximum number and classes of shares that the company is authorised to issue. Companies may also divide their shares (including those shares already in issue) into a larger number of shares or combine them into a smaller number of shares in the same class or series, provided that the maximum number of shares the company is permitted to issue is not exceeded. On any such division or combination of shares the aggregate par value (if any) of the new shares must be equal to the aggregate par value of the original shares.

The directors of a company can, at their discretion, issue shares in registered or bearer form (although in order to issue bearer shares there must be an express authorisation in the memorandum of association and such bearer shares must be held by an approved custodian) for such consideration and on such terms as they may determine.

Shares can be issued for consideration in any form, provided such consideration is not less than the par value where the shares have a par value.

If so authorised by its memorandum of association, a company can issue more than one class of shares and, if so, the memorandum of association must also specify the rights, privileges, restrictions and conditions which attach to each class.

The BVI Business Companies Act provides that companies may issue redeemable shares, shares with no rights, limited rights or preferential rights to share in distributions, or shares with no or special or limited or conditional voting rights. They may also, subject to their memorandum of association and articles of association, issue bonus shares, partly or nil paid shares, and fractional shares.

The BVI Business Companies Act provides that a company may purchase, redeem or otherwise acquire its own shares, either in accordance with the procedure set out in the BVI Business Companies Act, or any other procedure as provided for in the memorandum of association and articles of association of the company.

APPENDIX III **SUMMARY OF THE CONSTITUTION OF OUR
COMPANY AND BVI COMPANY LAW**

7 Disposal of Assets

Under the BVI Business Companies Act and subject to the memorandum of association or articles of association of a company, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance or the enforcement thereof, of more than 50 per cent in value of the assets of the company, if not made in the usual or regular course of the business carried on by the company, requires the approval of the shareholders.

The BVI Business Companies Act sets out the procedure that must be followed in relation to effecting such a disposal.

8 Accounting and Auditing Requirements

The BVI Business Companies Act requires that a company shall cause to be kept proper books of account that (a) are sufficient to show and explain the company's transactions; and (b) will, at any time, enable the financial position of the company to be determined with reasonable accuracy.

9 Register of Members

Under the BVI Business Companies Act a company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside of the BVI, as its directors may, from time to time, think fit. However either the register of members or a copy of the register of members of the company must be kept at the office of its registered agent in the BVI.

There is no requirement under the BVI Business Companies Act for a company to make any filing of shareholder information to the Registrar of Corporate Affairs in the BVI. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Subject to the BVI Business Companies Act, a shareholder of a company will have general right under the BVI Business Companies Act to inspect or obtain copies of the register of members, the register of directors and minutes of meetings and resolutions of members and of those classes of members of which he is a member. However, subject to the company's memorandum of association and articles of association, the directors may, if they are satisfied that it would be contrary to the company's interests to allow a shareholder to inspect any document (or part of a document) refuse to permit the shareholder to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR
COMPANY AND BVI COMPANY LAW**

18 Taxation

Companies incorporated or registered under the BVI Business Companies Act are currently exempt from income and corporate tax in the BVI. In addition, the BVI currently does not levy capital gains tax on companies incorporated or registered under the BVI Business Companies Act.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the BVI with respect to any shares, debt obligations or other securities of a company.

19 Exchange Control

There are no exchange control regulations or currency restrictions in the BVI.

20 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisor on BVI law, have sent to the Company a letter of advice summarising aspects of BVI company law. This letter, together with a copy of the BVI Business Companies Act, is available for view as referred to in the section headed "Documents on Display" in Appendix V. Any person wishing to have a detailed summary of BVI company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated under the laws of the British Virgin Islands on April 30, 2008 as a business company with limited liability under the name of Dash Brands Ltd. On September 13, 2021, our Company changed its name to DPC Dash Ltd (达势股份有限公司). Upon incorporation, our Company was authorized to issue a maximum of 50,000 Shares.

Our registered office address is at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. Accordingly, our Company’s corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the British Virgin Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III to this document.

Our registered place of business in Hong Kong is at 46/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 26, 2022 with the Registrar of Companies in Hong Kong. Ms. Po Yi Fok has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 46/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

2. Issued Shares of our Company

The following sets out the details of shares in our Company that have been issued within the two years immediately preceding the date of this document:

- (a) On October 21, 2020, our Company issued 617,647 Ordinary Shares with a par value of US\$1.00 each to Good Taste Limited in lieu of guarantee fee.
- (b) On January 29, 2021, our Company issued 8,142,631 Senior Ordinary Shares with a par value of US\$1.00 each in lieu of director service fee.
- (c) On July 20, 2021, our Company issued 261,903 Ordinary Shares with a par value of US\$1.00 each in lieu of director service fee.
- (d) On November 9, 2021, our Company issued 617,647 Ordinary Shares with a par value of US\$1.00 each to Good Taste Limited in lieu of guarantee fee.
- (e) On November 30, 2021, our Company issued 4,023,785 Ordinary Shares with a par value of US\$1.00 each to various employees of the Group pursuant to vesting of restricted share units.
- (f) On December 10, 2021, our Company issued 1,306,842 2021 Senior Ordinary Shares with a par value of US\$1.00 each to Domino’s Pizza LLC for a total consideration of US\$9,082,552.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (g) On December 10, 2021, our Company issued 3,729,130 Ordinary Shares with a par value of US\$1.00 each to D1 SPV Master Holdco I (Hong Kong) Limited for a total consideration of US\$25,917,454.
- (h) On December 10, 2021, our Company issued 2,158,273 Ordinary Shares with a par value of US\$1.00 each to SMALLCAP World Fund, Inc. for a total consideration of US\$15,000,000.
- (i) On July 20, 2022, our Company issued 471,728 Ordinary Shares with a par value of US\$1.00 each in lieu of director service fee and pursuant to vesting of restricted share units.
- (j) On October 6, 2022, our Company issued 53,955 Ordinary Shares with a par value of US\$1.00 each to various directors of the Company pursuant to vesting of restricted share units.

Save as disclosed above and in “– Resolutions of our Shareholders Dated [●]” below, there has been no issue of shares of our Company within the two years immediately preceding the date of this document.

3. Changes in the share capital of members of our Group

A summary of the corporate information and the particulars of our subsidiaries are set out in note 16 to the Accountant’s Report as set out in Appendix I to this document.

The following sets out the changes in the share or registered capital of members of our Group within the two years immediately preceding the date of this document:

- On June 11, 2020, the registered capital of Beijing Pizzavest Fast Food Co., Ltd. (北京達美樂比薩餅有限公司) was increased from US\$16.25 million to US\$20 million.
- On February 26, 2021, the registered capital of Shenzhen Pizzavest Fast Food Co., Ltd. (深圳達美樂餐飲管理有限公司) was increased from RMB100 million to RMB200 million.
- On October 26, 2021, the registered capital of Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司) was increased from US\$50 million to US\$134 million.
- Domino’s Pizza (Zhongshan) Co., Ltd. (達美樂比薩(中山)有限公司) was established on August 29, 2022 with a registered share capital of RMB10 million.
- Domino’s Pizza (Zhuhai) Co., Ltd. (達美樂比薩(珠海)有限公司) was established on September 21, 2022 with a registered share capital of RMB10 million.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- Beijing Domino’s Food Co., Ltd. (北京達美樂食品有限公司) was established on September 26, 2022 with a registered share capital of RMB10 million.

Save as disclosed above, there has been no alteration in the share capital of any member of our Group within the two years immediately preceding the date of this document.

4. Resolutions of our Shareholders dated [●]

Resolutions of our Shareholders were passed on [●], pursuant to which, among others, conditional upon the conditions of the [REDACTED] (as set out in this document) being fulfilled:

- (a) the Memorandum and the Articles were approved and adopted conditionally effective on and immediately prior to the [REDACTED] on the [REDACTED];
- (b) the [REDACTED], [REDACTED] and [REDACTED] were approved, and our Directors were authorized to negotiate and agree the [REDACTED] and to allot and issue the [REDACTED] (including pursuant to the [REDACTED]);
- (c) a general mandate (the “**Sale Mandate**”) was granted to our Directors to allot, issue and deal with any Shares or securities convertible into Shares and to make or grant offers, agreements or options which would or might require Shares to be allotted, issued or dealt with, provided that the number of Shares so allotted, issued or dealt with or agreed to be allotted, issued or dealt with by our Directors, shall not exceed [20]% of the total number of Shares in issue immediately following the completion of [REDACTED];
- (d) a general mandate (the “**Repurchase Mandate**”) was granted to our Directors to repurchase our own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to [10]% of the total number of Shares in issue immediately following completion of the [REDACTED];
- (e) the Sale Mandate was extended by the addition to the total number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of the Shares purchased by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed [10]% of the total number of the Shares in issue immediately following completion of the [REDACTED].]

Each of the general mandates referred to above will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by resolution of members passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the British Virgin Islands or the memorandum and the articles of association of our Company; and
- the passing of resolution of members by our Shareholders in a general meeting revoking or varying the authority.

5. Explanatory statement on repurchase of our own securities

The following summarizes restrictions imposed by the Listing Rules on share repurchases by a company listed on the Stock Exchange and provides further information about the repurchase of our own securities.

Shareholders' approval

A listed company whose primary listing is on the Stock Exchange may only purchase its shares on the Stock Exchange, either directly or indirectly, if: (i) the shares proposed to be purchased are fully-paid up, and (ii) its shareholders have given a specific approval or general mandate by way of an ordinary resolution of shareholders.

Size of mandate

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately following completion of the [REDACTED], could accordingly result in up to approximately [REDACTED] Shares being repurchased by our Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed 10% of the number of issued shares as at the date of the shareholder approval.

Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of the British Virgin Islands.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Our Company shall not purchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any purchases by our Company may be made out of any source of funds provided that the Directors are satisfied that, immediately after the purchases, the value of the Company's assets exceeds its liabilities and the Company is able to pay its debts as they fall due.

Suspension of repurchase

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

Trading restrictions

A listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

A listed company may not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

Status of repurchased Shares

The listing of all repurchased shares (whether through the Stock Exchange or otherwise) shall be automatically cancelled and the relevant documents of title must be cancelled and destroyed as soon as reasonably practicable.

Close associates and core connected persons

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Shares to our Company.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

Takeover implications

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

General

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange to exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the British Virgin Islands.

We have not made any repurchases of our Shares in the previous six months.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that are or may be material:

[REDACTED]

APPENDIX IV STATUTORY AND GENERAL INFORMATION

2. Intellectual property rights

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or industrial property rights which are or may be material in relation to our business.




Trademarks registered in China

As at the Latest Practicable Date, we had registered to use the following trademarks in China which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Place of Registration	Class	Registered number	Expiry date
1.		Beijing Pizzavest Fast Food Co., Ltd., Shanghai Pizzavest Fast Food Co., Ltd. (北京達美樂比薩餅有限公司、上海達美樂比薩有限公司)	China	30	13517166	2025.02.06

Trademarks licensed to use in China

As at the Latest Practicable Date, we have been licensed to use the following trademarks in China which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Class	Registered number	Expiry date
1.		China	30	9672969	2032.08.13
2.		China	30	531211	2030.10.19
3.		China	43	9672970	2032.08.06
4.		China	29	7993733	2024.07.13
5.		China	35	7993732	2024.01.20

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Trademark	Place of Registration	Class	Registered number	Expiry date
6.		China	35	8977573	2024.01.13
7.		China	39	7993731	2031.02.27
8.		China	43	9672968	2032.08.06
9.		China	30	822991	2026.03.13
10.		China	42	1147779	2028.01.27
11.		China	29	7993751	2031.07.06
12.		China	35	8977574	2025.08.27
13.		China	35	7993735	2023.02.27
14.		China	39	7993734	2031.03.27
15.		China	30	9672971	2032.08.13
16.		China	30, 35, 43	85635734	2032.06.18

APPENDIX IV STATUTORY AND GENERAL INFORMATION

Copyrights

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Version	Registration number	Registration date
1.	Domino’s ordering system (for iOS)	3.0.0	Ruan Zhu Deng Zi No. 7034010	March 1, 2021
2.	Domino’s ordering mini program	3.0.0	Ruan Zhu Deng Zi No. 6891888	January 29, 2021
3.	Domino’s baby kitchen system	3.0.0	Ruan Zhu Deng Zi No. 6891890	January 29, 2021
4.	Domino’s member points mall system	3.0.0	Ruan Zhu Deng Zi No. 6889948	January 29, 2021
5.	Domino’s financial reconciliation system	3.0.0	Ruan Zhu Deng Zi No. 6892282	January 29, 2021
6.	Domino’s ordering system (for WEB)	3.0.0	Ruan Zhu Deng Zi No. 6892285	January 29, 2021
7.	Domino’s message center management system	3.0.0	Ruan Zhu Deng Zi No. 6892283	January 29, 2021
8.	Domino’s ordering system (for WeChat)	3.0.0	Ruan Zhu Deng Zi No. 6891889	January 29, 2021
9.	Domino’s member management system	3.0.0	Ruan Zhu Deng Zi No. 6892284	January 29, 2021
10.	Domino’s customer management system	3.0.0	Ruan Zhu Deng Zi No. 7183183	March 29, 2021
11.	Domino’s electronic invoice system	3.0.0	Ruan Zhu Deng Zi No. 7183209	March 29, 2021
12.	Domino’s 3PP order management system	3.0.0	Ruan Zhu Deng Zi No. 7155635	March 23, 2021
13.	Domino’s raffle system	3.0.0	Ruan Zhu Deng Zi No. 7155634	March 23, 2021
14.	Domino’s store marketing system	3.0.0	Ruan Zhu Deng Zi No. 7155654	March 23, 2021
15.	Domino’s middle platform system	3.0.0	Ruan Zhu Deng Zi No. 7155752	March 23, 2021
16.	Domino’s ordering system (for Android)	3.0.0	Ruan Zhu Deng Zi No. 7686039	June 29, 2021

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Patents

As at the Latest Practicable Date, we had applied for the registration of the following patents in the PRC which we consider to be or may be material to our business:

No.	Patent	Applicant	Application Number	Application date
1.	Serving Basket	Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司)	ZL202030233992.9	May 20, 2020

Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registered owner	Expiry date
1.	dashdpc.com	Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司)	September 2, 2024
2.	dpcdash.com	Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司)	August 31, 2024
3.	dominospizzadiy.com	Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司)	April 26, 2027
4.	dominospizzachina.com	Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司)	March 26, 2027
5.	4001597597.com	Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司)	February 28, 2027
6.	4008597597.com	Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司)	November 18, 2027
7.	dominos.com.cn	Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司)	October 22, 2029

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

Executive Directors

Our executive Director entered into a service contract with our Company on [●]. The term of appointment shall be for an initial term of three years from the [REDACTED] or until the third annual general meeting of our Company after the [REDACTED], whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The annual director's fees of our executive Director payable by us under the service contract is [●].

Non-executive Directors

Each of our non-executive Directors entered into an appointment letter with our Company on [●]. The term of appointment shall be for an initial term of three years from the [REDACTED] or until the third annual general meeting of our Company after the [REDACTED], whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The annual director's fees of our non-executive Directors payable by us under their respective appointment letters is [●].

Independent non-executive Directors

Each of our independent non-executive Directors entered into an appointment letter with our Company on [●]. The term of appointment shall be for an initial term of three years from the [REDACTED] or until the third annual general meeting of our Company after the [REDACTED], whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The annual director's fees of our independent non-executive Directors payable by us under their respective appointment letters is [●].

2. Remuneration of Directors

- (a) Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

APPENDIX IV STATUTORY AND GENERAL INFORMATION

- (b) The aggregate amount of remuneration paid and benefits in kind granted to our Directors by our Group in respect of for each of the years ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2022 was approximately RMB16.6 million, RMB28.9 million, RMB60.0 million and RMB28.7 million, respectively.
- (c) Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors by any member of our Group in respect of the year ended December 31, 2022 is approximately RMB[14.6] million.

3. Disclosure of interests

Interests and short positions of our Directors in the shares of our Company or our associated corporations following completion of the [REDACTED]

Immediately following completion of the [REDACTED], the interests or short positions of our Directors and chief executives in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the ‘Model Code for Securities Transactions by Directors of Listed Issuers’ contained in the Listing Rules, to be notified to our Company and the Stock Exchange are set out below:

Name of director	Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately after the [REDACTED] ⁽¹⁾
Aileen Wang	Beneficial owner	250,012 (L) ⁽²⁾	[REDACTED]
	Interest in controlled corporation	999,698 (L) ⁽³⁾	[REDACTED]
Frank Paul Krasovec	Beneficial owner	2,625,607 (L) ⁽⁴⁾	[REDACTED]
	Interest in controlled corporation	128,452 (L) ⁽⁵⁾	[REDACTED]

APPENDIX IV STATUTORY AND GENERAL INFORMATION

Name of director	Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately after the [REDACTED]⁽¹⁾
James Leslie Marshall	Beneficial owner	32,373 (L) ⁽⁶⁾	[REDACTED]
	Interest in controlled corporations/founder of a discretionary trust/beneficiary of a trust	43,094,901 (L) ⁽⁷⁾	[REDACTED]
Zohar Ziv	Beneficial owner	921,791 (L) ⁽⁴⁾	[REDACTED]
Matthew James Ridgwell	Beneficial owner	476,985 (L) ⁽⁴⁾	[REDACTED]
David Brian Barr	Beneficial owner	500,637 (L) ⁽⁴⁾	[REDACTED]
Samuel Chun Kong Shih	Beneficial owner	66,454 (L) ⁽⁴⁾	[REDACTED]
	Interest of spouse	124,536(L) ⁽⁸⁾	[REDACTED]
Lihong Wang	Beneficial owner	44,475 (L) ⁽⁴⁾	[REDACTED]

Notes:

- (1) Assuming the [REDACTED] is not exercised and no Shares are issued under the Share Incentive Plans.
- (2) Represents the Shares underlying the RSUs granted to Ms. Aileen Wang under the 2021 Plan which will vest on the [REDACTED].
- (3) Represents Shares held by Molybdenite Holding Limited, a company wholly owned by Ms. Wang.
- (4) Including 21,582 Shares underlying the RSUs granted to each of Mr. Krasovec, Mr. Ziv, Mr. Ridgwell, Mr. Barr, Mr. Shih and Ms. Lihong Wang under the 2021 Plan.
- (5) Represents Shares held by FPK Dash, LLC, which a company controlled by Mr. Krasovec.
- (6) Represents the Shares underlying the RSUs granted to Mr. Marshall under the 2021 Plan.
- (7) Represents Shares held by Good Taste Limited, which is a wholly-owned by Ocean Investments Limited, the entire interest of which is in turn held by a trust established for the benefit for Mr. Marshall and his spouse.
- (8) Ms. Laura Christine Tong, the spouse of Mr. Shih, holds 124,536 Shares. Mr. Shih is deemed to be interested in the Shares held by Ms. Tong.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information, so far as is known to our Directors or chief executive, of each person, other than our Director or chief executive, who immediately following completion of the [REDACTED] will have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group, see “Substantial shareholders”.

D. SHARE INCENTIVE PLANS

1. The 2021 Plan

Summary

The following is a summary of the principal terms of the 2021 Plan of the Company as approved and adopted by our Board on January 1, 2021. The 2021 Plan does not involve the grant of any share options after [REDACTED] and is not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the 2021 Plan is to promote the success and enhance the value of the Company by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain employees, to facilitate cash mobility of the Company and to align the interests of the employees with the Shareholders.

(b) Participants

Those eligible to participate in the 2021 Plan include directors, employees and consultants of the Company or any subsidiary of the Company (the “**Participants**”). The Committee (as defined below) may, subject to specific designation in the 2021 Plan, designate Participants to receive restricted share units (“**RSUs**”) or other types of award approved by the Committee (the “**Award**”).

(c) Maximum number of Shares

The maximum aggregate number of Shares under the 2021 Plan which may be issued is 7,000,000 ordinary shares.

(d) Administration

The 2021 Plan shall be administered by the Board or a committee of one or more members of the Board and/or one or more executive officers of the Company (the “**Committee**”).

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

In relation to the 2021 Plan, subject to any specific designation thereunder, the Committee shall have the exclusive power, authority and discretion to:

- (i) designate Participants to receive Awards;
- (ii) determine the type or types of Awards to be granted to each Participant;
- (iii) determine the number of Awards to be granted and the number of Shares to which an Award will relate;
- (iv) determine the terms and conditions of any Award granted pursuant to the 2021 Plan, including, but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines;
- (v) determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;
- (vi) prescribe the form of each Award Agreement (as defined in sub-paragraph (e) below), which need not be identical for each Participant;
- (vii) decide all other matters that must be determined in connection with an Award;
- (viii) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the 2021 Plan;
- (ix) interpret the terms of, and any matter arising pursuant to, the 2021 Plan or any Award Agreement;
- (x) amend the terms and conditions of Award Agreements; and
- (xi) make all other decisions and determinations that may be required pursuant to the 2021 Plan or as the Committee deems necessary or advisable to administer the 2021 Plan, including design and adopt from time to time new types of Awards that are in compliance with applicable laws.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(e) Grant of Awards

The Committee is authorized to grant Awards in the form of restricted share units or other types of award approved by the Committee to Participants in accordance with the terms of the 2021 Plan. Awards granted will be evidenced by a written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium ("**Award Agreement**") between the Company and the grantee.

(f) Term of the 2021 Plan

The 2021 Plan commenced on January 1, 2021 and shall continue in effect for a term of 10 years unless sooner terminated under the terms of the 2021 Plan.

(g) Restricted Share Units

(i) Form and Timing of Payment

At the time of grant, the Committee shall specify the date or dates on which the restricted share units shall become fully vested and nonforfeitable. Upon vesting, the Committee, in its sole discretion, may pay restricted share units in the form of cash, Shares or a combination thereof.

(ii) Forfeiture or Repurchase

Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, restricted share units that are at that time unvested shall be forfeited or repurchased in accordance with the Award Agreement; provided, however, the Committee may (a) provide in any Award Agreement that restrictions or forfeiture and repurchase conditions relating to the restricted share units will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to the restricted share units.

(iii) Limits on Transfer

Unless otherwise expressly agreed by the Board or the Committee in writing, by applicable law and by the Award Agreement, as the same may be amended: (a) all Awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge; (b) Awards will be exercised only by the Participant; and (c) amounts payable or shares issuable pursuant to an Award will be delivered only to (or for the account of), and, in the case of Shares, registered in the name of, the Participant. In addition, the

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

shares shall be subject to the restrictions set forth in the applicable Award Agreement. Subject to applicable laws, the Company shall also have the right, but not the obligation, to repurchase from the Participant all the Shares acquired upon vesting of the restricted share units at a reasonable fair market value determined in good faith by the Board or the Committee in accordance with the Award Agreement.

(h) Adjustments

In the event of any dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the shares of Shares or the share price of a Share, the Committee shall make such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under the 2021 Plan (including, but not limited to, adjustments of the limitations set out in the 2021 Plan); (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per share for any outstanding Awards under the 2021 Plan.

(i) Amendment, Modification, and Termination

The Board may at any time and from time to time terminate, amend or modify the 2021 Plan, provided, however, that (a) to the extent necessary and desirable to comply with applicable laws or stock exchange rules, the Company shall obtain shareholder approval of any 2021 Plan amendment in such a manner and to such a degree as required, unless the Company decides to follow home country practice, and (b) unless the Company decides to follow home country practice, shareholder approval is required for any amendment to the 2021 Plan that increases the number of Shares available under the 2021 Plan (other than any adjustment as set out in sub-paragraph (j) above) or permits the Committee to extend the term of the 2021 Plan.

RSUs granted under the 2021 Plan

As of the Latest Practicable Date, the number of underlying Shares pursuant to the outstanding RSUs granted under the 2021 Plan amounted to [1,218,345] Shares, representing approximately [REDACTED]% of the issued Shares immediately following the completion of the [REDACTED]. Of the [1,218,345] RSUs, none have vested as of the Latest Practicable Date.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

The table below shows the details of the outstanding RSUs granted under the 2021 Plan as of the Latest Practicable Date:

Grantees	Date of grant	Vesting Period	Number of Shares underlying the RSUs	Approximate % of issued Shares immediately after completion of the [REDACTED]
Aileen Wang	April 30, 2022	Upon [REDACTED] Date	250,012	[REDACTED]
Frank Paul Krasovec	July 7, 2022	1 year	21,582	[REDACTED]
James Leslie Marshall	July 7, 2022	1 year	32,373	[REDACTED]
Zohar Ziv	July 7, 2022	1 year	21,582	[REDACTED]
Matthew James Ridgwell	July 7, 2022	1 year	21,582	[REDACTED]
David Brian Barr	July 7, 2022	1 year	21,582	[REDACTED]
Samuel Chun Kong Shih	July 7, 2022	1 year	21,582	[REDACTED]
Lihong Wang	July 7, 2022	1 year	21,582	[REDACTED]
3 other grantees (who are not Directors)	April 30, 2022	Upon [REDACTED] Date to 47 months	806,468	[REDACTED]
		Total:	1,218,345	[REDACTED]

2. The 2022 Pre-[REDACTED] Plan

Summary

The following is a summary of the principal terms of the 2022 Pre-[REDACTED] Plan of the Company as approved and adopted by our Board on September 9, 2022. The 2022 Pre-[REDACTED] Plan does not involve the grant of any share options or awards after [REDACTED] and is not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the 2022 Pre-[REDACTED] Plan is to promote the success and enhance the value of the Company by linking the personal interests of the directors, employees, and consultants to those of the Company’s shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Company’s shareholders.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(b) Participants

Those eligible to participate in the 2022 Pre-[REDACTED] Plan include directors, employees and consultants of the Company or any subsidiary of the Company (the “**Participants**”). The Committee (as defined below) may, subject to specific designation in the 2022 Pre-[REDACTED] Plan, designate Participants to receive share options or other types of award approved by the Committee (the “**Award**”).

(c) Maximum number of Shares

The maximum aggregate number of Shares under the 2022 Pre-[REDACTED] Plan which may be issued is 8,000,000 Shares.

(d) Administration

The 2022 Pre-[REDACTED] Plan shall be administered by the Board or a committee of one or more members of the Board and/or one or more executive officers of the Company (the “**Committee**”).

In relation to the 2022 Pre-[REDACTED] Plan, subject to any specific designation thereunder, the Committee shall have the exclusive power, authority and discretion to:

- (i) designate Participants to receive Awards;
- (ii) determine the type or types of Awards to be granted to each Participant;
- (iii) determine the number of Awards to be granted and the number of Shares to which an Award will relate;
- (iv) determine the terms and conditions of any Award granted pursuant to the 2022 Pre-[REDACTED] Plan, including, but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines;
- (v) determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;
- (vi) prescribe the form of each Award Agreement (as defined in sub-paragraph (e) below), which need not be identical for each Participant;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (vii) decide all other matters that must be determined in connection with an Award;
- (viii) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the 2022 Pre-[REDACTED] Plan;
- (ix) interpret the terms of, and any matter arising pursuant to, the 2022 Pre-[REDACTED] Plan or any Award Agreement;
- (x) amend the terms and conditions of Award Agreements; and
- (xi) make all other decisions and determinations that may be required pursuant to the 2022 Pre-[REDACTED] Plan or as the Committee deems necessary or advisable to administer the 2022 Pre-[REDACTED] Plan, including design and adopt from time to time new types of Awards that are in compliance with applicable laws.

(e) Grant of Awards

The Committee is authorized to grant Awards in the form of share options or other types of award approved by the Committee to Participants in accordance with the terms of the 2022 Pre-[REDACTED] Plan. Awards granted will be evidenced by a written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium ("Award Agreement") between the Company and the grantee.

(f) Term of the 2022 Pre-[REDACTED] Plan

The 2022 Pre-[REDACTED] Plan commenced on September 9, 2022 and shall continue in effect for a term of 10 years unless sooner terminated under the terms of the 2022 Pre-[REDACTED] Plan.

(g) Options

The exercise price per Share subject to an option shall be determined by the Committee and set forth in the Award Agreement which may be a fixed price related to the fair market value of the Shares. The exercise price per Share subject to an option may be amended or adjusted in the absolute discretion of the Committee, the determination of which shall be final, binding and conclusive. The Committee shall determine the methods by which the exercise price of an option may be paid.

The Committee shall determine the time or times at which an option may be exercised in whole or in part, including exercise prior to vesting; provided that the exercise term of any option granted under the plan shall not exceed ten years, except as otherwise determined by the Committee. The Committee shall also determine any conditions, if any, that must be satisfied before all or part of an option may be exercised.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(h) Adjustments

In the event of any dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the shares of Shares or the share price of a Share, the Committee shall make such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under the 2022 Pre-[REDACTED] Plan (including, but not limited to, adjustments of the limitations set out in the 2022 Pre-[REDACTED] Plan); (b) the terms and conditions of any outstanding Awards; and (c) the grant or exercise price per share for any outstanding Awards under the 2022 Pre-[REDACTED] Plan.

(i) Amendment, Modification, and Termination

The Board may at any time and from time to time terminate, amend or modify the 2022 Pre-[REDACTED] Plan, provided, however, that (a) to the extent necessary and desirable to comply with applicable laws or stock exchange rules, the Company shall obtain shareholder approval of any 2022 Pre-[REDACTED] Plan amendment in such a manner and to such a degree as required, unless the Company decides to follow home country practice, and (b) unless the Company decides to follow home country practice, shareholder approval is required for any amendment to the 2022 Pre-[REDACTED] Plan that increases the number of Shares available under the 2022 Pre-[REDACTED] Plan (other than any adjustment as set out in sub-paragraph (j) above) or permits the Committee to extend the term of the 2022 Pre-[REDACTED] Plan.

Awards Granted under the 2022 Pre-[REDACTED] Plan

As of the Latest Practicable Date, no option has been granted pursuant to the 2022 Pre-[REDACTED] Plan.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

2. Litigation

Save as disclosed under "Business – Legal proceedings and compliance," no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

3. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive an aggregate of [US\$500,000] for acting as the sponsor for the [REDACTED].

4. Consent of experts

This document contains statements made by the following experts:

Name	Qualification
Merrill Lynch (Asia Pacific) Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
JunHe LLP	Qualified PRC lawyers
Maples and Calder (Hong Kong) LLP	Legal Advisor to our Company as to the laws of BVI
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

As at the Latest Practicable Date, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Each of the experts named above have given and have not withdrawn their respective written consent to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

5. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

6. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

8. Disclaimers

- (a) Save as disclosed in “History, Reorganization and Corporate Structure” and “[REDACTED],” within the two years immediately preceding the date of this document:
 - (i) there are no commissions (but not including commission to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and
 - (ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in “– Other information – Consent of experts” received any such payment or benefit.
- (b) Save as disclosed in this section and “Financial Information”:
 - (i) there are no founder, management or deferred shares in our Company or any member of our Group;
 - (ii) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this document, or are proposed to be paid, allotted or given to any promoters;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (iii) none of the Directors or the experts named in “– Other information – Consent of experts” above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (iv) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;
- (v) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;
- (vi) there are no outstanding debentures or any convertible debt securities of our Company or any member of our Group;
- (vii) there is no other stock exchange on which any part of the equity or debt securities of our Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought;
- (viii) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option;
- (ix) there are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested or which is significant in relation to the business of our Group;
- (x) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (xi) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

APPENDIX V

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) a copy of the [REDACTED];
- (b) the written consents referred to in “Statutory and general information – Other information – Consent of experts” in Appendix IV; and
- (c) copies of the material contracts referred to in “Statutory and general information – Further information about our business – Summary of material contracts” in Appendix IV.

DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection at the office of Skadden, Arps, Slate, Meagher & Flom at 42/F Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum and the Articles;
- (b) the material contracts referred to in “Statutory and general information – Further information about our business – Summary of material contracts” in Appendix IV;
- (c) the service contracts and the letters of appointment with our Directors referred to in “Statutory and general information – Further information about our Directors – Particulars of Directors’ service contracts and appointment letters” in Appendix IV;
- (d) the report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a summary of which is set forth in “Industry overview”;
- (e) the PRC legal opinions issued by JunHe LLP, our PRC Legal Advisor on PRC law, in respect of certain general corporate matters and property interests in the PRC of our Group;
- (f) the Accountant’s Report and the report on the unaudited pro forma financial information of our Group prepared by PricewaterhouseCoopers, the texts of which are set out in Appendices I and II;
- (g) The audited consolidated financial statements of our Company for the three financial years ended December 31, 2019, 2020 and 2021;

APPENDIX V

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND ON DISPLAY**

- (h) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisor on British Virgin Islands law, summarising certain aspects of BVI company law referred to in Appendix III;
- (i) the BVI Business Companies Act;
- (j) the written consents referred to in the section headed “Statutory and general information – Other information – Consent of experts” in Appendix IV; and
- (k) the terms of the Share Incentive Plans.