RISK FACTORS

***An* [REDACTED] *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 materially and adversely affect our business, financial condition, and results of operations. The* [REDACTED] *of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your* [REDACTED].**

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Changes in consumer preferences, demand and spending patterns could materially and negatively affect our business and results of operations.

Our success depends substantially on our continued ability to offer appealing, high-quality baijiu products to consumers. Consumer preferences and demand with respect to tastes and texture, alcohol content, aroma profiles and packaging designs may shift, often in unpredictable ways, as a result of various factors that may be out of our control. Changes in consumption patterns, especially among younger generations who may prefer other types of liquor or beverage, are also challenges for us. For example, health and wellness trends and increased concerns about alcohol intake may drive consumers away from our baijiu products. Other factors that could affect cosumer preferences and demand include:

- changes in economic conditions, demographics and social trends in China;
- public health policies and initiatives;
- changes in regulatory landscape with respect to alcohol products in China;
- concerns or regulations related to food safety and product quality in China; and
- changes in trends related to leisure, dining, gifting, entertaining and baijiu consumption.

We primarily produce and sell sauce aroma, mixed aroma and strong aroma baijiu under different brands, with sauce aroma baijiu being our major growth engine. According to Frost & Sullivan, the market size of sauce aroma baijiu is expected to grow from RMB203.3 billion in 2022 to RMB321.7 billion by 2026, representing a CAGR of 12.2%, making its market share of 41.8% in 2026, the largest among all aroma profiles. There can be no assurance that the popularity of sauce aroma baijiu will continue to rise among consumers or that our product portfolio will continue to be popular among consumers in China. Consumers may choose baijiu products offered by our competitors, shift their preference toward baijiu products with other aroma profiles, or may switch to other alcohol products such as beers and wines and reduce their baijiu consumption in general. Any changes in consumer preferences and tastes may impose downward pressure on pricing and sales of our baijiu products, or result in increases in our selling and distribution expenses.

In addition, our operational and financial results may deteriorate if we fail to attract consumers from diverse background and age groups in all markets where we sell our baijiu products. To continue to succeed, we must anticipate or react effectively to shifts in demographics, consumer behavior, consumer preferences, drinking tastes, and drinking occasions, and if we fail to do so, our business, prospects and results of operations may be materially and adversely affected.

Growth of our business will partially depend on the recognition of our brands, and any failure to maintain, protect and enhance our brands, including any negative publicity, would limit our ability to retain and expand our customer base, which would materially and adversely affect our business, financial condition and results of operations.

We believe that our brand recognition among consumers helps us manage our customer acquisition costs and has contributed to the growth and success of our business. Many factors, some of which beyond our control, are important to maintaining, protecting and enhancing consumers' recognition of our brands. These factors include our ability to:

- maintain and improve the quality and attractiveness of the baijiu products we offer;
- increase brand awareness through marketing and brand promotion activities;
- maintain good relationship and retain favorable terms with our suppliers, distributors and other business partners;
- protect our intellectual properties and ensure compliance with relevant laws and regulations; and
- preserve our reputation and goodwill generally and in the event of any negative publicity on our products, or other issues affecting us or China's food and beverage sector in general.

A public perception that we or other industry participants do not provide satisfactory products or services to consumers, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brands, undermine the trust and credibility we have established and result in a negative impact on our ability to attract and retain customers. In addition, publicity about our business creates the possibility of heightened attention from the public, regulators and the media. Heightened regulatory and public concerns over customer protection and customer safety issues may subject us to additional legal and social responsibilities and increased scrutiny and negative publicity over these issues. Any negative report regarding our products and business, regardless of its truthfulness, could damage our brand image and severely affect the sales of our products and possibly lead to product liability claims, litigations or damages. Improper behaviors or statements of our spokespersons, endorsers and other celebrities we have cooperated with and our employees may also result in substantial harm to our brand reputation and operations. There is no assurance that we would not become a target for regulatory or public scrutiny in the future or that scrutiny and public exposure would not severely damage our reputation as well as our business and prospects.

The COVID-19 pandemic adversely affected, and may continue to affect, the demand for our products, our business operations and financial conditions.

The COVID-19 pandemic has adversely affected our business operations, cash flows and financial condition. During the COVID-19 pandemic, the mobility of consumers was reduced and certain retail points of sale were closed, which adversely affected the sales growth of our baijiu products. In addition, due to the COVID-19 pandemic and the resulting local governments' relevant control measures, operation of certain of our production facilities was temporarily suspended. Since the beginning of 2022, the Omicron variant of COVID-19 has rebounded in China, which resulted in city-wide lockdowns in a number of Chinese cities, including those in which our production facilities and warehouses are located. This caused disruptions to varying degrees to normal business activities in China, including our operations. Reduced social activities amid new COVID-19 outbreaks, coupled with the gloomy macroeconomic conditions across the world, have resulted in a temporary fluctuation in baijiu consumption, especially premium baijiu products on which we focus. Heightened epidemic prevention measures have also limited our sales and marketing initiatives and campaigns, such as distillery tour and baijiu tasting events, in the affected cities. In late 2022 and early 2023, China experienced a surge in COVID-19 confirmed cases. The rapid spread of COVID-19 in a relatively short period of time has compelled people to stay at home and reduce banquets and social gatherings, which led to temporary decreases in baijiu consumption in China. With respect to baijiu production, our normal production activities also have experienced temporary disruptions caused by labor shortages as staff were absent from work due to COVID-19 contraction.

While we have employed various measures to mitigate the impact of the COVID-19 pandemic on our business operations, we cannot assure you that our efforts will always be effective or at all. Furthermore, 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:

- decreases in consumer demand and/or consumer spending due to the rapid spread of the COVID-19;
- disruptions in our operation, production and supply chain;
- inability to implement our growth plans, including delays in construction of production facilities or adversely impact our overall ability to successfully execute our plans to enter into new markets; and
- additional regulations or requirements with respect to compensation of our employees.

To the extent 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 address potential changes in consumers' preferences, demand and spending patterns, effectively manage our nationwide distribution network, and conduct branding and marketing activities cost-effectively. There are no comparable recent events that provide guidance as to the effect the COVID-19 pandemic as a global pandemic may have, and, as a result, the ultimate impact of the pandemic is highly uncertain and subject to change, even though conditions have been improving. The extent to which the COVID-19 pandemic may impact our business will depend on future developments, which are highly uncertain and unpredictable, such as the duration of the outbreak and the impact of the spread of COVID-19 on baijiu consumption. For details, see "Financial Information – The Impacts of and Our Responses to COVID-19".

Our historical growth and profitability may not be indicative of our future financial performance, and we may not be able to sustain our revenue growth rate in the future. Our historical growth also makes it difficult to evaluate our future prospects and success.

We experienced rapid growth during the Track Record Period. Our revenue increased significantly by 112.7% from RMB2,398.9 million in 2020 to RMB5,101.6 million in 2021. Our revenue increased by 18.2% from RMB3,593.6 million in the nine months ended September 30, 2021 to RMB4,249.2 million in the same period of 2022. We cannot assure you that the demand for our baijiu products will continue to grow at a similar rate in the future due to various reasons including market saturation as well as competition from new market participants and alternative products.

Our net profit margin in 2020, 2021 and the nine months ended September 30, 2021 and 2022 was 21.7%, 20.2%, 21.7% and 16.8% respectively, while our adjusted net profit margin (non-IFRS measure) for the same periods was 21.7%, 21.0%, 21.7% and 20.3%, respectively. Our ability to sustain high profitability depends on whether we can continue generating a high level of revenue and managing costs and expenses effectively. If we fail to manage our growth or sustain our profitability effectively, our business, financial condition and results of operations could be adversely affected.

We operate in a highly competitive and rapidly evolving market in China.

The baijiu industry in China is highly competitive. We mainly compete with a large and growing number of baijiu brands with diverse aroma profiles in China on the basis of brand awareness, price, product quality and safety, distribution networks and consumer services, among other things. There can be no assurance that we will always be able to compete effectively against existing and future competitors. Some of our competitors have solid positions in several market segments with longer operating histories, more established local presence, and/or greater financial, product development, sales and marketing or other resources. In addition, our baijiu products compete with baijiu products with the same or different aroma profiles. For example, if we fail to maintain our competitive advantages in our sauce aroma baijiu, consumers may switch to sauce aroma baijiu produced by other companies, or switch to baijiu products of other aroma profiles, in which case we will lose our consumers and our business, results of operations and financial condition could be materially and adversely affected.

Furthermore, as we continue to expand our product offerings and broaden our business presence across China, we also expect to compete against additional nationwide and local baijiu brands. Increased competition may reduce our market share and profitability, and require us to increase our sales and marketing efforts and capital commitment in the future, which could negatively affect our results of operations or force us to incur additional losses. Although we have accumulated a large and growing consumer base, there can be no assurance that we will be able to continue to do so in the future against existing and future competitors. If we fail to compete effectively, we may lose customers and market shares, and our business, results of operations and financial condition may be materially and adversely affected. For additional information related to the competitive landscape of our industry, see "Industry Overview."

Our future success and growth potential are dependent on our ability to successfully implement our production capacity expansion plans.

We have been expanding our production capacity to meet the increasing consumers' demand for our baijiu products. As of the Latest Practicable Date, we had commenced the expansion of three existing production facilities as well as the construction of one new production facility. There is no assurance that such expansion plan will be successfully implemented in a timely manner, or will be commercially successful. Our production capacity expansion plan is also subject to interruptions caused by risks commonly associated with large construction and expansion projects, such as adverse weather conditions, natural disasters, accidents and unforeseen circumstances and problems, and other factors beyond our control. As such, we may not be able to achieve the planned production capacity expansion on time.

In addition, expanding our production capacity is costly. Our ability to obtain sufficient capital to fund our production capacity expansion is subject to a number of uncertainties, including those relating to our future business development, financial condition and results of operations, general market conditions for financing activities by companies in our industry, and macro-economic and other conditions in China and globally. If we cannot obtain sufficient capital on acceptable terms to meet our needs, we may not be able to execute our growth strategies, and our business, financial condition and prospects may be materially and adversely affected.

Furthermore, our fixed costs will increase as a result of our production capacity expansion. Since we have not entered into any long-term sales contract, we may not be able to sell our products at such quantities and/or prices with commercially acceptable margins and our production facilities may be underutilized. If we are unable to sell our additional baijiu products on a commercially acceptable basis and/or our production facilities are underutilized, our business, financial condition, results of our operations and prospects would be materially and adversely affected.

We rely on our distribution network to promote and sell baijiu products and generate a vast majority of revenue from our distributors.

We depend on an effective distribution network to deliver our baijiu products to consumers, and our distributors play an important role in expanding our geographic footprints and driving sales of our baijiu products. Generally, our distributors purchase products from us and then resell them to sub-distributors, which are mainly third-party retailers, and end consumers. Revenue contributed by our distributors accounted for 88.1%, 88.8%, 89.7% and 88.3% of our total revenue in 2020, 2021 and the nine months ended September 30, 2021 and 2022, respectively. For further information on our distributors, see "Business – Sales and Distribution – Distributors."

A distributorship model is inherently risky. Such risks may include:

- *Limited control*. We have limited control over the business operation of our distributors and we cannot assure you that distributors will operate their business in compliance with our distribution agreements, sales policies and the relevant laws and regulations. Any non-compliance with the distribution agreements or sales policies by any of our distributors could disrupt our sales and may in turn affect our business and results of operations. Additionally, if our distributors do not effectively market and sell our baijiu products, or fail to respond to the needs of third-party retailers and end consumers in time, our market reputation may be damaged, and our ability to grow our business may be adversely affected.

- *Long-term sustainability*. There is no assurance that our distributors will be able to maintain a sales level comparable to their performance during the Track Record Period, or that they will be able to achieve their sales targets. If our distributors fail to maintain the sales pipelines of our baijiu products, or if there is any material interruption to our relationship with distributors, we may lose a significant portion or all of our sales channel in the relevant sales territories. In the event of any material interruption to our relationship with distributors, or upon termination of our relationship for whatever reasons, there is no assurance that we may be able to replace a distributor in its responsible sales territory with comparable sales capability in a timely and cost-effective manner, or at all.

- *Competition*. Certain distributors may act both for us and certain of our competitors. There can be no assurance as to the financial interest of our distributors and that they will not give our competitors' products higher priority, thereby reducing their efforts to sell our products. As independent companies, distributors make their own business decisions that may not always align with our interests. If our distributors do not effectively distribute our products, our financial results could be adversely affected.

- *Use of our brand names*. To enhance the marketability of our brands and the sales performance of our baijiu products, we generally allow our distributors to use our brand names in business activities that might be ancillary to the sales and promotion of our baijiu products, on the condition that they must act professionally and must refrain from doing any act which would be detrimental to our reputation, prospects and market position. Nevertheless, the actual actions of our distributors may be beyond our control and any wrongdoings (such as corruption, bribery or other illegal acts or actions generally considered detrimental to our brand value) committed by them while selling or promoting our baijiu products, or otherwise using our brand names, will subject us to material reputation risks.

- *Sub-distributors*. Our distributors may engage sub-distributors within their respective designated sales territories to help them market and sell our baijiu products. We do not have any direct contractual relationships with a majority of these sub-distributors, whereas we enter into tripartite distribution agreements with selected sub-distributors and the relevant distribution partners. In either case, nevertheless, the sub-distributors procure our baijiu products from the respective distribution partners, rather than us, and accordingly, payments of product prices are made by the sub-distributors to the distribution partners. In general, our distribution partners are responsible for making sure their respective distribution partners comply with our sales policies, despite our contractual relationships with the selected sub-distributors, and we do not routinely monitor the sales performance or compliance of the sub-distributors. As a result, there can be no assurance that the sub-distributors will always comply with our sales policies, or at all. In the event that any sub-distributor conducts any wrongdoings, our brand reputation and business may be adversely affected. See also "Business – Sales and Distribution – Distributors – Sub-distributors" for additional information.

In addition, our business and our future growth, are in part dependent on the ability of our distributors to maintain and expand their distribution coverage. We may not be able to effectively maintain our business relationship with distributors, or manage our distribution network, which could adversely affect our brand, results of operations and financial condition.

Our business and financial performance may be adversely affected by the uncertainties around macro-economic conditions in China, or a downturn, any adverse developments or changes in regulatory environment in China's baijiu industry.

Our business is affected by the economic conditions in China. Baijiu consumption in China is closely linked to general economic conditions. Levels of consumption tend to rise during periods when per capita income and disposable income increase, and vice versa. Any adverse development of China's macro-economy, whether as a result of a recession, credit and capital markets volatility, economic or financial crises or otherwise, could result in declining per capita income and disposable income, which in turn, may cause consumers' demand for our products or baijiu in general to continue to decrease, or force us to reduce the price of our baijiu products. As a result, our business, profitability, results of operations and financial condition may be materially adversely affected.

In addition, our operational and financial performance is subject to upturns and downturns of the baijiu market in China. China's baijiu market may be adversely affected by various factors including macro-economic conditions, demand and supply for baijiu products, change of consumers' preferences, and changes in regulatory landscape in China. Many of these factors are beyond our control. A downturn, any adverse developments, or changes in regulatory environment in China's baijiu industry may result in a reduction in the demand for our products and diminish our ability to generate profits.

In particular, the PRC government may from time to time promulgate administrative regulations and policies, or launch government initiatives and campaigns to regulate the baijiu industry, or otherwise adversely affect the business and financial performance of baijiu companies. Additional regulatory restrictions on baijiu industry, such as policies to regulate the sales of luxury goods, heighten restrictions to alcohol marketing, limit or ban consumption of baijiu among civil servants, or impose heavier tax on baijiu products, and/or restrictions on the financing activities of baijiu companies, if promulgated or imposed, could affect the overall sentiment of China's baijiu industry, adversely impact consumers' baijiu consumption, or adversely affect the business, financing capabilities and prospects of baijiu companies. Any of the above may in turn have an adverse impact on our business and financial performance.

Any product quality issue could materially and adversely affect our results of operations.

We believe that product quality is critical to our success. We have established stringent quality control systems to ensure the quality of our baijiu products. Our quality control systems primarily consist of quality control measures for supply chain management, production and logistics and warehousing. See "Business – Quality Control" for details. The effectiveness of our quality control systems, including maintaining consistent product quality, depends on a number of factors, including the design of our quality control systems and our ability to ensure our employees and other third parties involved in our business activities to comply with our quality control policies and procedures. Despite the precaution we take, there can be no assurance that our quality control systems will be effective in all times, or at all. Any product quality issue resulted from failure of our quality control systems or other reasons could expose us to product liability claims, negative publicity, government scrutiny, investigation or intervention, administrative actions and product recalls or returns, which could materially and adversely affect our brand, reputation, results of operations, financial condition and business prospects.

We are subject to the risk of product contamination and quality deterioration, which is inherent to the baijiu industry. For example, the quality and availability of certain agricultural commodities necessary for our products may be affected by climate conditions. The quality and supply of water required to produce our products may also be affected by climate change. Any contamination or deterioration in our baijiu products, through improper handling, outbreak of diseases, tampering or otherwise, may result in them being found unsafe for production and consumption, as the case may be. This could in turn lead to substantial delays in our baijiu-making process or delivery of our baijiu products to our customers, a recall of our baijiu products, a loss in revenue and/or payment of compensation to our customers for delays and recalls. In the event that contamination or a defect occurs, any damages we may suffer could adversely impact our business, results of operations and financial condition.

In addition, the quality of the products or services provided by our suppliers or service providers is subject to factors beyond our control, including the effectiveness and the efficiency of their quality control system, among others. There can be no assurance that our suppliers or service providers may always be able to adopt appropriate quality control systems and meet our stringent quality control requirements in respect of the products or services they provide. Any failure of our suppliers or service providers to provide satisfactory products or services could delay our baijiu-making process and delivery of our baijiu products, harm our reputation and adversely impact our operations. See "– We use third-party suppliers, service providers and other business partners to provide products and services to us and to our customers."

Changes to the pricing of our products could adversely affect our business, financial condition, results of operations and prospects.

We aim to bring to consumers high-quality baijiu products. The pricing of our products is based on multiple factors, including, without limitation, brand positioning, cost of production, market demand and competition. Benefiting from our deep engagement with our consumers and our consumer insights, we believe we are in a good position to analyze consumers' preferences and demand, evaluate the market acceptance and potential sales volume of our products, which enables us to price our products at a competitive rate. Nevertheless, we cannot assure you that we will adopt a competitive pricing strategy for our products at all times. If we price our products too low, our profit margin will suffer. If we price our products higher than consumers' expected price, we may not achieve the sales volume we expect, in which case revenue from the corresponding products may be negatively affected.

Even if we properly price our products, we may offer discounts from time to time to promote our brand awareness and to drive sales volume. Some customers may purchase our products in bulk when we offer discounted or promotional prices. We may also need to adjust our sales strategies to sell excess inventory in the event that we fail to accurately predict the market demand. Any such price cuts may not lead to the sales volume we expect and may negatively impact the demand for our products, in which case our revenue could be negatively impacted. Furthermore, although we prohibit our distributors to take any action which might materially disrupt retail prices of our products, there can be no assurance they will always comply with such requirement. The market and pricing for our products may be interrupted by the secondary sale pricing strategies adopted by such distributors and the possible negative shopping experience they provide to consumers, which may negatively impact our brand image and our business.

Changes in the availability and price of raw materials could have an adverse effect on our results of operations.

A major portion of our cost of sales is related to raw materials that we use to produce our baijiu products, such as sorghum, wheat, rice, glasses, labels, metal and plastic closures, and cardboard products.

In 2020, 2021 and the nine months ended September 30, 2021 and 2022, cost of production materials amounted to RMB496.4 million, RMB989.5 million, RMB714.3 million and RMB800.4 million, representing 43.3%, 41.7%, 42.4% and 42.1% of our total cost of sales for the same periods.

The supply and price of raw materials used for the production of our baijiu products can be affected by a number of factors beyond our control, including the level of crop production across China, supply and demand dynamics, speculative movements in the raw materials market, governmental regulations and legislation affecting agriculture, trade agreements among producing and consuming nations, adverse weather conditions, natural disasters, economic factors affecting planting decisions, political developments, various plant diseases and pests. For example, we use red tassel sorghum planted in Guizhou to produce certain of our sauce aroma baijiu products. Any shortage in the supply of red tassel sorghum in Guizhou or any fluctuation in its price could increase our costs, reduce the production volume of our relevant sauce aroma baijiu products, and adversely affect our results of operations.

We cannot predict future availability or price of the raw materials required for our products. The markets in certain raw materials or commodities have experienced and may in the future experience shortages and significant price fluctuations. The foregoing may affect the price and availability of ingredients that we use to manufacture our baijiu products, as well as the bottles and cardboards in which our baijiu products are packaged. We may not be able to increase our prices to offset these increased costs without suffering reduced volume, revenue and operating income. To the extent we fail to adequately manage the risks inherent in such volatility, our results of operations may be adversely impacted.

Any failure to successfully develop, launch and promote new products may adversely affect our business development plans and profitability.

The choices and preferences of consumers may be influenced by new products that appear in the market. Accordingly, we have been continuously developing, launching and promoting new baijiu products to maintain our competitiveness. To support our product development plans, we need to devote significant resources in researching and developing baijiu products and recruit production and marketing professionals that are suitable for our products. Moreover, we need to select suitable suppliers of raw materials and packaging materials, logistics service providers and distributors. All these tasks involve risks, and require substantial planning, effective execution and significant expenditures. We also cannot assure you that our new products will be able to generate positive cash flows or become profitable within a short period of time or at all. If we fail to bring new products to the market in a cost-effective manner, our profitability, results of operations and business prospects may be adversely affected.

We are subject to extensive regulatory permits, certificates and approvals for our owned properties in China.

We are required under applicable PRC laws and regulations to obtain various permits, certificates and approvals from relevant governmental authorities for the properties that we own and use in China. As of the date of this document, we had not obtained the land use right certificates for one of our 20 parcels of land with an aggregate gross site area of approximately 180,000 square meters, representing 6.5% of the total gross site area of the land occupied by us. See "Business – Properties – Owned Properties – Land" for details. We are advised by our PRC Legal Advisor that the competent land administration authorities in the PRC may order us to return the occupied parcel of land which we had not obtained the land use right certificates and confiscate the newly-constructed buildings and other facilities on this parcel of land, and impose fines on us. As advised by our PRC Legal Advisor, the maximum amount of fines that we may be subject to for occupying this parcel of land without a land use right certificate would be RMB180 million.

In addition, as of the date of this document, we had not obtained the building ownership certificates for 38 of our 208 buildings with an aggregate gross floor area of approximately 258,709 square meters. For 30 of those 38 buildings, we had not obtained the building ownership certificates since we had not completed the required as-built acceptance filings (竣工驗收備案) and/or certain related procedures for these buildings, and for the remaining eight buildings, we had completed the as-built acceptance filings and were in the process of applying for the building ownership certificates. Our PRC Legal Advisor has advised us that, with respect to each building that was put into use before we complete the required as-built acceptance filing, we may be ordered to take remedial measures, and the relevant governmental authorities may impose fines on us. As advised by our PRC Legal Advisor, the maximum amount of fines that we may be subject to for the 38 buildings would be approximately RMB26.0 million. See "Business – Properties – Owned Properties – Buildings in Use" for details.

As of the date of this document, we also had 26 buildings under construction with an aggregate designed gross floor area of approximately 224,136 square meters. We had not obtained certain regulatory permits, certificates and approvals as required by applicable PRC laws and regulations for the construction of 16 of these buildings under construction. Our PRC Legal Advisor has advised us that, with respect to each construction project that commenced without such regulatory permits, certificates and approvals, we may be ordered to suspend construction and use of the relevant buildings, take remedial measures within a prescribed period, and the relevant governmental authorities may impose fines on us. As advised by our PRC Legal Advisor, the maximum amount of fines that we may be subject to for commencing construction projects without the relevant regulatory permits, certificates and approvals would be approximately RMB30.6 million. See "Business – Properties – Owned Properties – Buildings under Construction" for details.

As a consequence of the foregoing, our rights to these land and buildings may be limited or challenged by relevant governmental authorities or third parties. We may also be subject to administrative fines or other penalties due to the lack of the relevant regulatory permits, certificates and approvals, which may disrupt our normal business operations, damage our reputation and result in significant incremental costs. In the event we lose the rights to any of our land or buildings, our use of such land or buildings may be limited, or we may be forced to relocate our production facilities, which may materially adversely impact our business, expansion plans, prospects and results of operations. As of the date of this document, we were in the process of applying for the outstanding permits, certificates and approvals. However, there is no assurance that we will be able to obtain such permits, certificates and approvals in a timely manner, or at all. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to various risks relating to third-party settlements and use of personal accounts.

During the Track Record Period, certain distributors, individual customers and suppliers settled transactions with our Group through the accounts of third parties designated by them (the "**Third-party Settlement Arrangement**"). In 2020, 2021 and for the nine months ended September 30, 2022, the aggregate amount of payment from designated third parties to our Group represented approximately 22.1%, 24.4% and 12.4% of the total payments received from all distributors and individual customers, respectively. During the same periods, the aggregate amount of payment made from our Group to designated third parties represented approximately 12.1%, 20.5% and nil of the total payments made to all suppliers, respectively. As of June 30, 2022, our Group had ceased all Third-party Settlement Arrangement to the extent practicable. We are subject to various risks relating to such Third-party Settlement Arrangements during the Track Record Period, such as (i) possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors; (ii) possible claims from suppliers that they did not receive the payments we made to their designated third parties; and (iii) potential money laundering risks as we have limited knowledge about the source and purpose of the funds utilized by the third-party payors. In the event of any claims from suppliers, third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party settlements or for violation or non-compliance of laws and regulations, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may as a result be adversely affected.

During the Track Record Period, our Group also used personal bank, Weixin and Alipay accounts (the "**Personal Accounts**") of our employees in the daily operations in order to facilitate funds transfer in a more flexible and convenient manner. In 2020, 2021 and the nine months ended September 30, 2022, funds received through the Personal Accounts represents 8.6%, 7.0% and nil, respectively, of total funds received from all accounts of our Group, while funds paid out of the Personal Accounts represents 7.9%, 7.7% and nil, respectively, of total funds paid out of all accounts of our Group for the same periods. As of December 31, 2021, our Group had ceased the use of all Personal Accounts. However, we cannot assure you that we will not be subject to fines or other penalties or legal consequences due to our prior use of Personal Accounts for the settlement of corporate funds, which may materially and adversely affect our business, financial condition and result of operations. See "Business – Risk Management and Internal Control – Control of Third-party Settlement Arrangement" and "Business – Risk Management and Internal Control – Management of Personal Accounts" for details.

We recorded net current liabilities and total equity-deficit in the past.

We recorded net current liabilities of RMB145.8 million as of December 31, 2021, attributable primarily to the decrease in amounts due from related parties, which was offset by the distributions/dividends we declared in 2021 in an aggregate amount of RMB1,886.1 million. We recorded total equity-deficit of RMB6,814.1 million and RMB4,336.1 million as of December 31, 2021 and September 30, 2022, respectively, primarily due to financial instruments issued to an investor. As of December 31, 2021 and September 30, 2022, we recorded financial instruments issued to an investor of RMB8,756.9 million and RMB10,452.8 million as non-current liabilities, respectively. Our financial instruments issued to an investor primarily represent the Series A Preferred Shares and warrants issued to Zest Holdings for its investment as it was granted the right to require our Company to redeem all or a portion of the preferred shares they held if the **[REDACTED]** is not consummated within a certain period. Our financial instruments issued to an investor will be re-designated and reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the **[REDACTED]**, after which we expect that we would return to a net assets position. See "Financial Information – Discussion of Certain Key Items From Our Consolidated Statements of Financial Position – Financial Instruments Issued to An Investor" for 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 maintain adequate cash inflows from our operating activities and adequate external financing, which will be affected by our future operating performance, prevailing economic conditions, our financial, business and other factors, many of which are beyond our control. If we do not have sufficient working capital to meet future financial needs, we may need to resort to external funding. Our inability to obtain additional external borrowings on a timely basis 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 operation may be materially and adversely affected.

We recorded net operating cash outflow historically and there can be no assurance that we will not have net cash outflow in the future.

We recorded net cash used in operating activities of RMB1,029.4 million for the nine months ended September 30, 2022. Throughout the Track Record Period, the major drivers behind the fluctuations in cash (used in)/generated from operations were (i) changes in working capital that negatively affected cash flow such as an increase in inventories, a decrease in trade payables, a decrease in other payables and accruals and (ii) an increase in income tax paid, partially offset by changes in working capital that positively affected cash flow. For a more comprehensive discussion of our liquidity and capital resources, see "Financial Information – Liquidity and Capital Resources – Cash Flow Analysis – Net Cash (Used in)/Generated from Operating Activities" for further details.

We cannot guarantee that our prospective business activities and/or other matter beyond our control, such as market competition and changes to the macroeconomic environment, will not adversely affect our operating cash flow and lead to net operating cash outflows in the future. If we encounter long-term and continuous net operating cash outflow in the future, we may not have sufficient working capital to cover our operating costs, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

For certain baijiu brands, we derived a substantial portion of revenue from selected geographic regions in China.

During the Track Record Period, for certain baijiu brands, we derived a substantial portion of revenue from selected geographic regions in China. Specifically, we derived a majority of our revenue for *Li Du* from Jiangxi and we generated substantially all of our revenue for *Xiang Jiao* and *Kai Kou Xiao* from Hunan during the Track Record Period.

We plan to continue to execute our business strategies to solidify our leading positions in these sales markets and expand footprints in other geographic regions across China. Therefore, we expect these sales markets to continue to contribute a considerable portion of our revenue. There can be no assurance that consumers' demand for our products or baijiu in general in these sales markets would not decline. Our success will depend on our ability to adapt to changing preferences of the baijiu consumption in these sales markets, to develop new baijiu products and optimize existing baijiu products to accommodate these changes, and to increase brand awareness in these sales markets. Furthermore, the demand for baijiu is dependent on the disposable income of local residents in these sales markets. Any material decline in the economic conditions may result in a decline in the sales of our baijiu products and in our revenue. Such demand may also be affected by other factors beyond our control, for example, the outbreak of COVID-19 pandemic in these areas, and if the local authorities adopt regulations that place additional restrictions or limitations on our industry.

Our results of operations could be materially harmed if we are unable to adequately manage our inventory.

As of December 31, 2020, 2021 and September 30, 2022, we had inventories of RMB1,736.9 million, RMB3,649.3 million and RMB4,318.8 million, respectively. Our inventories consist primarily of (i) raw materials, mainly including grains used to produce our baijiu, and packaging materials, (ii) work-in-progress, mainly including our base liquor, and (iii) finished baijiu products that we or our distributors hold for sales. See "Financial Information – Discussion of Certain Key Items From Our Consolidated Statements of Financial Position – Inventories."

The majority of our inventories is base liquor. As a key step of baijiu production, the base liquor needs to be stored. Therefore, we maintained a relatively large amount of inventories in storage. It may be difficult to accurately forecast demand and determine appropriate levels of inventory we maintain. Any change in consumer demand for our products or the occurrences of catastrophic events may have an adverse impact on our product sales, which may in turn lead to decline in inventory value or inventory write-off. In the case of overestimation of consumer demand, we may be subject to overstock, resale of the inventories at less favorable terms, or even write-downs of inventories. In the case of underestimation of consumer demand, we may not be able to maximize our revenue. In addition, if we are required to lower sale prices in order to reduce inventory level, our profit margins might be negatively affected. Any of the above may materially and adversely affect our business, financial condition, results of operations and prospects.

We may be subject to seasonal fluctuations in consumer demand.

We promote and sell our baijiu products primarily in China, and accordingly our results of operation may be subject to the seasonal consumption cycles in China. We typically experience higher products sales during holidays and festival seasons in a year, most notably around the Spring Festival and the Mid-Autumn Festival, when consumers tend to purchase more of our baijiu products for self-consumption and as celebration gifts. Our financial condition and results of operations in the future may continue to fluctuate throughout a year.

Baijiu products are subject to heavy consumption tax and the changes of tax policy could have an adverse effect on our product prices, consumer demand and profitability.

According to the Interim Regulation of the PRC on Consumption Tax (《中華人民共和國消費稅暫行條例》), which was promulgated by the State Council on December 13, 1993 and amended on November 10, 2008, the applicable consumption tax rate of baijiu is 20% plus the fixed consumption tax (RMB 0.5/500g (or 500ml)). In 2009, the STA issued the Notice on Strengthening the Administration of the Collection of Alcohol Consumption Tax (《國家稅務總局關於加強白酒消費稅徵收管理的通知》) (State Tax Letter [2009] No. 380) and Administrative Measures for the Approval of the Minimum Taxable Price of Alcohol Consumption Tax (for Trial Implementation) (《白酒消費稅最低計稅價格核定管理辦法(試行)》). Accordingly, if the taxable price is lower than 70% of the external sales price (excluding value-added tax), the tax authority shall determine the lowest taxable price for consumption tax within the range between 50%

and 70% of the external sales price, taking into account factors including production scale, liquor brand, and profitability. We incurred RMB378.0 million, RMB786.6 million, RMB559.4 million and RMB687.7 million tax and surcharges in 2020, 2021 and the nine months ended September 30, 2021 and 2022, respectively.

There can be no assurance that the consumption tax policies or other tax treatment applicable to us will not be modified, which, as a consequence, may impose heavier tax burden on our baijiu products and our Group. If we have to pass along such increased tax to our consumers by increasing product prices, consumers may switch to baijiu products of our competitors or other alcohol drinks. In addition, if we are not able to react to changes of tax policy in a timely manner, or at all, our business operations and financial results may be materially and adversely affected.

We are exposed to the risk of litigation, claims, disputes and regulatory compliance issues, which may cause us to pay significant damage compensations and incur other costs.

We may be subject to legal proceedings, claims and disputes from time to time in the ordinary course of our business, which could have a material adverse effect on our business, results of operations, and financial condition. Claims arising out of actual or alleged violations of law could be asserted against us by our consumers, our competitors, governmental authorities in civil or criminal investigations and proceedings, or other entities. These claims could be asserted under a variety of laws, including but not limited to product liability laws, consumer protection laws, intellectual property laws, and labor and employment laws. Given the inherent uncertainty of litigation, it is possible that we might incur liabilities as a consequence of the proceedings and claims brought against us, including those that are not currently believed by us to be reasonably possible.

Moreover, companies in the alcohol industry including our Company are, from time to time, exposed to law suits or compliance matters relating to alcohol advertising, alcohol abuse problems or health consequences from the excessive consumption of alcohol. If any of these types of litigation or non-compliance were to result in fines, damages or reputational damage to us or our brands, this could materially and adversely affect our financial condition and operating results.

We use third-party suppliers, service providers and other business partners to provide products and services to us and to our customers.

We work with our third-party suppliers, service providers and other business partners to conduct our business. Any interruptions to their operations, any failure of our suppliers to accommodate our fast growing business scale, any termination or suspension of our supply arrangements, any change in cooperation terms, the deterioration of cooperative relationships, or any disputes with these partners may materially and adversely affect our results of operations. For example, we partnered with third-party distilleries to produce base liquor for us during the Track Record Period. In 2020, 2021 and the nine months ended September 30, 2021 and 2022, such collaborated distilleries provided us with approximately 7,404 tons, 20,546 tons, 16,228 tons and 4,965 tons of sauce aroma base liquor, respectively. Any failure of our suppliers to provide base liquor to us pursuant to the agreements could result in us being unable to produce a sufficient amount of baijiu products to meet customers' demand, which in turn, could damage our brand reputation and reduce our product sales. In addition, we cannot assure you that we would be able to find suitable replacement suppliers on commercially reasonable terms or a timely basis. If we could not solve the impact of the interruptions of operations of our third-party suppliers or service providers, our business operations and financial results may be materially and adversely affected.

Furthermore, our reputation and operation may be harmed by illegal or unsatisfactory actions taken or unsatisfactory performance by these partners that are outside of our control. For example, the failure of our raw material suppliers to ensure product quality or to comply with food safety or other laws and regulations, or damages or contamination of our baijiu products during the delivery to customers by our logistics service providers could lead to a delay in our baijiu-making process and the delivery of our baijiu products, interrupt our operations and result in claims against us. In the event that we become subject to claims caused by actions taken or unsatisfactory performance by these partners, we may attempt to seek compensation from the relevant partners. However, such compensation may be limited. If no claim can be asserted against a supplier, service provider or business partner, or amounts that we claim cannot be fully recovered from the supplier, service provider or business partner, we may be required to bear such losses and compensation at our own costs. This could have a material and adverse effect on our business, financial condition and results of operations.

Incidents involving counterfeiting, tampering, adulteration, contamination or mislabeling, as well as adverse public or medical opinions about the health effects of consuming our products, could harm our business.

Counterfeiting has been a problem in our industry. Such counterfeit products may be manufactured without proper licenses or approvals from us or manufactured without meeting the quality of our baijiu products. Counterfeit baijiu products are often sold at a lower price compared to authentic baijiu products. Any occurrence of counterfeiting or imitation could bring negative impacts on our reputation and the brand names of the baijiu products we sell and lead to a loss of consumer confidence. Furthermore, counterfeiting and imitation products could erode our sales volume and result in a reduction of our market share, a decline in our sales and profitability as well as an increase in our administrative and legal costs in respect of detection, prosecution and negotiation, any of which may have a material adverse effect on our business, prospects, reputations, financial condition and results of operations.

In addition, instances or reports, whether true or not, of food-safety issues, such as tampering, adulteration, contamination or mislabeling, either during growing, manufacturing, packaging, transportation, storing or preparation, employee hygiene and cleanliness failures or improper employee conduct, have in the past severely injured the reputations of companies in China's baijiu industry. Any report linking us to such instances could severely hurt our sales and could possibly lead to product liability claims and litigations. In addition, instances of food-safety issues, even those involving solely baijiu products of our competitors or of distributors or retailers (regardless of whether we use or have used those distributors or retailers), could, by resulting in negative publicity about us or the alcohol industry in general, adversely affect our sales on a regional or nationwide basis. A decrease in customer demand as a result of food-safety concerns or negative publicity, or as a result of product recalls or food safety claims or litigations, could materially harm our brand reputation, business and results of operations.

We could incur significant costs as a result of compliance with, and/or violations of or liabilities under, various regulations that govern our operations.

We are subject to various laws and regulations governing various aspects of our operations, including producing, marketing and advertising, environmental protection, workplace safety, transportation, distributorship, sales and data privacy. We may be subject to claims that we have not complied with existing laws and regulations, which could result in fines and penalties or loss of our operating licenses, which may have a material adverse impact on our ability to operate our businesses.

For example, we advertise our brands and products through various channels, which is subject to the applicable PRC laws and regulations. We may be scrutinized for the choice of certain words used in our advertising. If our employees or the third party service providers we engage fail to comply with such laws and regulations, or the relevant government authorities, who have broad discretions in interpreting the laws and regulations, ultimately take a view that is inconsistent with our understanding in the process of administrative law enforcement, we may be subject to potential risks and penalties. Also, pursuant to the Law of the PRC on Production Quality (《中華人民共和國產品質量法》), if our baijiu products cause property damage or personal injury, we as manufacturer and seller may be liable for such damage or injury so caused. In addition, the SAMR may be authorized by the Law of the PRC on the Protection of Consumers' Rights and Interests (《中華人民共和國消費者權益保護法》) to impose administrative penalties on us. Our Directors believe that any product liability claims against us, whether or not meritorious and disregarding the outcome, might have damaging impacts to our business and brand reputation. It may also damage the confidence of the public on our baijiu products, and may affect our established relationships and business dealings with our distributors, suppliers and other business partners. We may also incur significant legal and other costs in defending ourselves in these actions. We are also subject to various requirements and standards according to the Food Safety Law of the PRC (《中華人民共和國食品安全法》), if we fail to satisfy the requirements of food safety, we may receive the administrative penalties from the competent authority, and if any property or person damage is caused, we may be required to indemnify any loss and damages caused. In addition, a company that uses an office in a location outside its corporate residence address to conduct business operation must register such office as a branch company or a subsidiary with the competent local authority. As of the Latest Practicable Date, we have not registered some of the locations outside of the corporate residence addresses as branch companies or subsidiaries. Although we have not been subject to any query or investigation by any PRC governmental authorities regarding the absence of such registration, if the PRC regulatory authorities determine that we are in violation of the relevant laws and regulations, we may be subject to penalties, including fines, confiscation of income, and suspension of operation.

We may also be subject to new or modified laws and regulations. Breach of any of these laws or regulations can lead to significant fines and/or damage to our reputation, as well as significantly restrict our ability to deliver our production and growth plans.

If we fail to conduct branding and marketing activities cost-effectively, our business, financial condition and results of operations may be materially and adversely affected.

Our ability to cost-effectively promote and market our products is crucial to driving revenue growth and achieving higher profitability. We have invested in branding and marketing activities to acquire and retain consumers. For example, we create immersive experience in our distilleries and featured stores to promote our brand culture and expand our consumer base. We also place advertisements across media channels to drive brand awareness and market acceptance. We incurred advertisement expenses of RMB241.7 million, RMB669.2 million, RMB428.9 million and RMB486.9 million in 2020, 2021 and the nine months ended September 30, 2021 and 2022, respectively. We expect to continue to invest significantly to acquire new consumers and retain existing ones, but there is no assurance that new consumers will stay with us, or the net revenue from new consumers we acquire will exceed the cost of acquiring those consumers.

In addition, if our existing consumers no longer find our baijiu products appealing or are unsatisfied with our services, or if our competitors offer more attractive baijiu products, prices or better consumer services, our existing consumers may lose interest in us, decrease their purchases or even stop purchasing our products. If we are unable to retain our existing consumers or to acquire new consumers in a cost-effective manner, our revenue may decrease and our results of operations will be adversely affected.

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

We may be exposed to fraud, bribery or other misconduct committed by our employees, suppliers, distributors or any other third parties that could subject us to financial losses and sanctions imposed by governmental authorities, which may adversely affect our reputation. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any instances of fraud, bribery, and other misconduct involving employees, suppliers, distributors and other third parties that had a material and adverse impact on our business and results of operations. However, we cannot assure you that there will not be any such instances in future and we may be unable to prevent, detect or deter all such instances of misconduct. Any such misconduct committed against our interests, which may include undetected past acts or future acts, may have a material and adverse effect on our business and results of operations.

Discontinuation of any of the government grants or preferential tax treatments or imposition of any additional taxes and surcharges could adversely affect our financial condition and results of operations.

Our government grants comprise subsidies and benefits received from local governments in China. There are no unfulfilled conditions or contingencies relating to these grants. We cannot assure you that we will continue to be eligible to receive such government grants or that the amount of such grants will not be reduced in the future. Our ability to continue to enjoy government grants is subject to changes in national or local policies, and may be affected by the termination of, or amendments to, such policies for any number of reasons, including those beyond our control. Any decrease in or termination of such government grants in the future may have an adverse effect on our financial condition, results of operations and prospects.

Pursuant to the Great Western Development policies, our subsidiary Tibet Xiangjiao established in the western region is eligible for a preferential Corporate Income Tax ("**CIT**") tax rate of 15%. Except for the preferential treatments available to certain subsidiaries, other subsidiaries established in China are subject to the PRC CIT rate of 25% during the Track Record Period.

Preferential tax treatments and incentives granted to us by PRC governmental authorities are subject to review and renewal and may be adjusted or revoked at any time in the future. We cannot guarantee you that the preferential tax treatments and incentives to which our PRC subsidiaries are currently entitled would be kept valid or successfully renewed. There can be no assurance that the local tax authorities will not, in the future, change their position and discontinue any of our current tax treatments, potentially with retrospective effect. The discontinuation of any of our current tax treatments and imposition of any additional taxes and surcharges could materially increase our tax obligations and adversely impact our net income.

We may be subject to additional contributions of social insurance and housing provident fund and late payments and fines imposed by relevant governmental authorities.

During the Track Record Period, some of our PRC subsidiaries failed to complete the registration of social insurance and housing provident fund within the required timeframe, and we had not made social insurance and housing provident fund contributors for some of our employees in full. In 2020, 2021 and the nine months ended September 30, 2022, the shortfall of social insurance and housing provident fund contributions amounted to approximately RMB2.5 million, RMB15.7 million and RMB10.2 million, respectively. In addition, we engage third-party human resources agencies to pay social insurance and housing provident funds for some of our employees. Any failure to make such contribution by these third-party agents may directly expose us to penalties imposed by the local authorities and/or legal claims raised by our employees. As of the Latest Practicable Date, we had not received any notice from the relevant governmental authorities or any claim or request from our employees in this regard. For details, see "Business – Legal Proceedings and Compliance."

However, we cannot assure you that the relevant governmental authorities will not require us to pay the outstanding amount and impose late fees or fines on us. If we are otherwise subject to investigations related to non-compliance with labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

We may not be able to fully control our leasehold interest in these premises, or renew our current leases or locate desirable alternatives for our leased premises.

We lease properties mainly for warehousing and office space. Certain lessors have not provided us with relevant title ownership certificates or proof of authorization of sublease for our leased properties. In addition, some of our leased properties are located on allocated land. As a result, there is a risk that such lessors may not have the right to lease such properties to us and we may face challenges from the property owners or other third parties regarding our right to occupy and use the premises.

In addition, we may not be able to extend or renew such leases on commercially reasonable terms, if at all. For instance, we compete with other businesses for premises at certain locations of desirable sizes. Rental payments may significantly increase as a result of the high demand for the leased properties. Moreover, we may not be able to extend or renew such leases upon expiration of the current term and may therefore be forced to relocate the affected operations. This could disrupt our operations and result in significant relocation expenses. We may not be able to locate desirable alternative sites for our warehouses or offices. For the leased sites used as the registered address of our PRC subsidiaries, we may face the risk of being included in the list of enterprises with abnormal business operations if we fail to extend such leases or relocate the registered address and file such leases with the local authorities. The occurrence of such events could materially and adversely affect our business, financial condition, results of operations and prospects. For details, see "Business – Properties – Leased Properties – Title Defects."

Under PRC law, all lease agreements are required to be registered with the local housing authorities. However, the enforcement of this legal requirement varies depending on the local regulations and practices. Although failure to do so does not in itself invalidate the leases, the lessees may not be able to defend these leases against bona fide third parties and may also be exposed to potential fines if they fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. The lease agreements of some of our leased properties have not been registered and filed with the competent PRC government authorities. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner once we are required to do so. 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. For details, see "Business – Properties – Leased Properties – Lease Registration."

We may not be able to retain or promptly recruit senior management members or other key personnel required for our operations.

Our current business performance and future success depend substantially on our senior management members, including Mr. Wu Xiangdong, our founder and Chairman, our executive Directors and other key personnel with industry expertise, know-how or experience in areas such as product development, production, sales and marketing, financial management, human resources or risk management. Any loss of such personnel could materially and adversely affect our ability to sustain and develop our business. Moreover, we cannot assure you that our key personnel will not join a competitor or form a competing business or will follow the terms and conditions of their employment contracts. As competition for talents such as skilled technical personnel and experienced management is fierce in our industry, any loss of key personnel or failure to promptly recruit such personnel for our future business development may adversely affect our business.

We may not be able to protect our intellectual property rights, and our ability to compete effectively may be harmed if our intellectual property rights are infringed by third parties.

Our future success depends significantly on our ability to protect our current and future brands and products and to defend our intellectual property rights, including trademarks, patents, registered designs, copyrights and domain names. We have been granted a number of trademark registrations and patents covering our brands and products and have filed, and expect to continue to file, trademark and patent applications seeking to protect newly developed brands and products. We cannot be sure that trademark and patent registrations will be issued with respect to any of our applications. There is also a risk that we could, by omission, fail to renew a trademark or patent on a timely basis or that our competitors will challenge, invalidate or circumvent any existing or future trademarks and patents issued to us.

Although we have endeavored to take appropriate actions to protect our portfolio of intellectual property rights (including patent applications, trademark registration, copyrights and domain names), we cannot be certain that the steps we have taken will be sufficient or that third parties will not infringe upon or misappropriate proprietary rights. It is possible that any intellectual property rights held by us may be invalidated, circumvented or challenged. If we are unable to protect our proprietary rights against infringement or misappropriation, it could have a material adverse effect on our business, results of operations, cash flows or financial condition and, in particular, on our ability to develop our business.

We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate intellectual property rights held by third parties. We have been and in the future may be, subject to legal proceedings and claims relating to the intellectual property rights of others. There could also be existing intellectual property of which we are not aware that our products may inadvertently infringe. We cannot assure you that holders of intellectual property purportedly relating to some aspects of our business, if any such holders exist, would not seek to enforce such intellectual property against us in China or any other jurisdictions. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, and our business, financial position and results of operations could be materially and adversely affected.

Failure to provide safe working environments and comply with associated government regulation may harm our business.

We should attach great importance to workplace safety during production processes. There are many safety risks including dust fire and dust inhalation, risks including hits by bridge crane and toxic hazard under fermentation pit in the fermentation and distillation process, fire hazard and risk of mechanical injury in the storage, blending and bottling process, etc. We are subject to various regulations, particularly in relation to environmental and workplace safety issues, labor and human rights and local work conditions. Any failure to provide safe environments for our workforce, third party contractors and the public while at our facilities or during the transportation of our products, could lead to injuries, loss of life or environmental damage. Negative publicity in this regard that materially damages the reputation of one or more of our brands could have an adverse effect on the value of that brand and subsequent revenue from that brand or business, which could adversely impact our business, results of operations, cash flows and financial condition.

Information technology failures, including those that affect the privacy and security of sensitive customer and business information, and any failure or perceived failure to comply with data privacy, protection and information security laws could damage our reputation and we could suffer a loss of revenue, incur substantial additional costs and become subject to litigation and regulatory scrutiny.

We rely on information technology systems and network infrastructure to process, transmit, store and monitor the daily operations and to collect accurate up-to-date operating data, including customers' personal information. We engage in e-commerce for several brands we operate, which includes direct sales to some customers. Any damage or failure of our computer systems or network infrastructure that causes an interruption or inaccuracies in our operations could have a material adverse effect on our businesses and results of operation.

Our system receives certain necessary personal information about our customers when they place orders, primarily including nick name, telephone number and address of them. Due to the fact that the methods used to gain unauthorized access to or sabotage networks are constantly evolving and may not be identified before an attack is conducted against us or our third-party service providers, we may be unable to detect or enforce sufficient countermeasures against these threats. If we are unable to prevent these attacks and security vulnerabilities, we risk considerable legal and financial responsibility, damage to our image, and potential missed revenue and consumer frustration. We may lack the expertise and technological sophistication necessary to predict and deter rapidly changing cyber-attack forms. Actual or planned attacks and threats can result in substantially increased costs, including staff and network security technology deployment, employee training, and engagement of third-party experts and consultants. In addition, if our network security is compromised, and such information is stolen or obtained by unauthorized persons or used inappropriately, we may become subject to litigation brought by customers and related institutions. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our brand could also be negatively affected by these events, which could further adversely affect our businesses and results of operation.

Furthermore, the PRC laws and regulations concerning personal data protection are subject to changes and updates from time to time, such as the PRC Cyber Security Law (《中華人民共和國網絡安全法》) (the "**Cyber Security Law**") promulgated by the Standing Committee of the National People's Congress of the PRC (the "**SCNPC**") on November 7, 2016 which became effective on June 1, 2017, the PRC Data Security Law (《中華人民共和國數據安全法》) promulgated by the SCNPC on June 10, 2021 and became effective on September 1, 2021, and the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**") promulgated by the Cyberspace Administration of China (the "**CAC**") and twelve other government authorities on December 28, 2021 and became effective on February 15, 2022. The PRC Civil Code (《中華人民共和國民法典》) promulgated by the National People's Congress of China on May 28, 2020 which became effective on January 1, 2021 also provides specific provisions regarding the protection of personal information and the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) promulgated by the SCNPC which became effective in November 2021, sets forth more specific requirements regarding the protection of personal information. See "Regulatory Overview – Regulations Related to Information Security and Privacy Protection" for details. Complying with new laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. Any failure to comply with all applicable data privacy and protection laws and regulations, may result in negative publicity and legal proceedings or regulatory actions against us, and may subject us to fines and damages, which could have a material adverse effect on our business and results of operations.

The Cybersecurity Review Measures provides that network platform operators with personal information of over one million users shall be subject to cybersecurity review before **[REDACTED]** abroad (國外上市). A **[REDACTED]** in Hong Kong is not treated as a **[REDACTED]** abroad within the meaning of the Cybersecurity Review Measures. The Cybersecurity Review Measures further stipulates that critical information infrastructure operators that procure internet products and services, and network platform operators engaging in data processing activities, shall be subject to the cybersecurity review if their activities affect or may affect national security. In addition, the relevant government authorities may initiate the cybersecurity review against the relevant operators if the authorities believe that the network products or services or data processing activities of such operators affect or may affect national security. As of the Latest Practicable Date, we had not been notified by any authorities of being classified as a critical information infrastructure operator or being involved in any investigations on cyber security review made by the CAC.

On November 14, 2021, the CAC published the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Regulations on Cyber Data Security**"), which provides the circumstances under which data processors shall apply for cybersecurity review, including, among others, when (i) the data processors who process personal information of more than one million individuals apply for a "foreign" **[REDACTED]**; and (ii) the data processors' **[REDACTED]** in Hong Kong affects or may affect national security. However, it provides no further explanation or interpretation as to how to determine what constitutes "affecting national security" for a proposed **[REDACTED]** in Hong Kong. The Draft Regulations on Cyber Data Security also provide specific requirements for data processors in conducting data processing activities within the territory of the PRC. Neither the Draft Regulations on Cyber Data Security nor the Cybersecurity Review Measures provides further explanation or interpretation for "**[REDACTED]** in a foreign country" or the scope of activities of data processing that "affects or may affect national security." As advised by our PRC Legal Advisor, a **[REDACTED]** in Hong Kong is not treated as a **[REDACTED]** abroad within the meaning of the Cybersecurity Review Measures and the Draft Regulations on Cyber Data Security. In addition, as advised by our PRC Legal Advisor, if the Draft Regulations on Cyber Data Security are implemented in their current form, it will be applicable to the data processing activities of our PRC subsidiaries. We collect information from our customers for the purpose of delivering our products. As of the Latest Practicable Date, we had not been involved in any service, product or data processing activities that might give rise to national security risks based on the factors set out in Article 10 of the Cybersecurity Review Measures and have not been inquired, investigated, warned or penalized by any PRC authorities in this respect. Moreover, as of the Latest Practicable Date, we had not possessed personal information of over one million users. Based on the foregoing, our PRC Legal Advisor is of the view that, as of the Latest Practicable Date, the likelihood that our business operations and/or the proposed **[REDACTED]** give rise to national security risks which subject us to cybersecurity review under the Cybersecurity Review Measures and the Draft Regulations on Cyber Data Security is relatively low.

However, as of the Latest Practicable Date, the Draft Regulations on Cyber Data Security have not been formally adopted. Substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation. We cannot assure you that relevant governmental authorities will not promulgate or interpret the laws and regulations in ways that may negatively affect us. If our proposed **[REDACTED]** or business activities are deemed to "affect or may affect national security," we may be required to apply for cybersecurity review, but there can be no assurance that we will be able to obtain approval from the regulatory authorities in a timely manner, or at all. As data protection laws and regulations increase in number and complexity, we cannot assure you that our data protection systems will be considered sufficient under all applicable laws and regulations due to factors including the uncertainty of the interpretation and implementation of these laws and regulations. We will continue to closely monitor the rule-making process and future regulatory changes to ensure compliance with applicable laws and regulations.

We may be unsuccessful in identifying suitable acquisition targets or business partners or implementing our acquisitions, investments, joint ventures or alliances, which may negatively impact our growth strategy.

We will need to identify suitable acquisition targets and agree on the terms with them if we were to make future acquisitions, and there is a risk that we will not be able to identify suitable targets and/or agree on such terms. Our size, contractual limitations to which we are subject may make it harder to obtain regulatory approval for future transactions. If appropriate opportunities do become available, we may seek to acquire or invest in other businesses; however, any future acquisition may pose regulatory, antitrust and other risks.

In addition, after completion of any transaction in the future, we may be required to integrate the acquired companies, businesses or operations into our existing operations. There is a risk that such integration will not be successful or will involve greater costs or result in fewer synergies than expected. Such transactions may also involve the assumption of certain actual or potential, known or unknown liabilities, which may have a potential impact on our financial risk profile. These risks and limitations may limit our ability to implement our business strategy and our ability to achieve or maintain future business growth.

We may not have sufficient insurance coverage to cover our potential liability or losses.

We face various risks in connection with our business, and we may lack adequate insurance coverage to cover our potential liability or losses. Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies do in other more developed economies. We do not have any business liability or disruption insurance to cover our operations. We believe that the costs of insuring against these risks, and the difficulties associated with acquiring such insurances on commercially reasonable terms render these insurances impractical for our business. However, any uninsured occurrence may disrupt our business operations, expose us to liabilities, incur substantial costs and divert our resources, which could have an adverse effect on our results of operations, financial condition and cash flows.

Natural and other disasters could disrupt our operations.

Our business and operating results could be negatively impacted by natural, social, technical or physical risks such as a widespread health emergency (or concerns over the possibility of such an emergency), earthquakes, typhoons, flooding, fire, water scarcity, power loss, loss of water supply, telecommunications and information technology system failures, cyberattacks, political instability, military conflict and uncertainties arising from terrorist attacks, including a global economic slowdown, the economic consequences of any military action and associated political instability.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.

Substantially all of our assets and operations are located in China and substantially all of our revenue is generated from China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally. China's food and beverage market in general is affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels, consumer demand and discretionary spending. The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, and control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over past decades, growth has been uneven, both geographically and among various sectors of the economy. Any adverse changes in economic conditions in China, in the policies of the Chinese 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 a reduction in demand for our products and adversely affect our competitive position. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. In addition, in the past the Chinese government has implemented certain measures, including interest rate adjustment, to control the pace of economic growth. These measures may cause decreased economic activity, which in turn could lead to a reduction in demand for our products and consequently have a material adverse effect on our businesses, financial conditions and results of operations.

Uncertainties with respect to the PRC legal system could adversely affect us.

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

In late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation since then has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, the interpretation and enforcement of these laws and regulations involve uncertainties and can be inconsistent and unpredictable. Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all and may have a retroactive effect. As a result, we may not be aware of our violation of such policies and rules until sometime after the violation.

In addition, administrative proceedings and judicial procedures in China may be protracted, which could result in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or tort claims. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions or threats in attempts to extract payments or benefits from us.

We may be required to obtain prior approval from the CSRC or complete filing procedures with the CSRC for the [REDACTED] and trading of our Shares on the Hong Kong Stock Exchange.

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM, the SASAC, the STA, the SAIC, the CSRC, and the SAFE, jointly issued the Regulations 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 became effective on September 8, 2006, and amended on June 22, 2009. The M&A Rules include, among other things, provisions that purport to require that an offshore special purpose vehicle formed for the purpose of an overseas **[REDACTED]** of securities in a PRC company obtain the approval of the CSRC prior to the **[REDACTED]** and trading of such special purpose vehicle's securities on an overseas stock exchange. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles.

On July 6, 2021, the relevant PRC government authorities issued 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 emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas **[REDACTED]** by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-**[REDACTED]** companies. See the section headed "Regulatory Overview— Regulations on M&A and Overseas **[REDACTED]**" for details.

On December 24, 2021, the CSRC promulgated the Administrative Provisions of the State Council for Domestic Enterprises Issuing Securities and Listing Overseas (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 "**Draft Administrative Provisions**") and the Administrative Measures on Recordation of Domestic Enterprises Issuing Securities and Listing Overseas (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)》) (together with the Draft Administrative Provisions, the "**Draft Regulations on Listing**") for public comments, which require, among others, that PRC domestic enterprises that seek to **[REDACTED]** and **[REDACTED]** securities in overseas markets, either directly or indirectly, to file the required documents with the CSRC within three Business Days after its application for overseas **[REDACTED]** is submitted. As of the Latest Practicable Date, the final version and effective date of the Draft Regulations on Listing are subject to change with substantial uncertainty.

If the Draft Regulations on Listing become effective in their current form before the **[REDACTED]** is completed, we may be required to complete the filing procedures with the CSRC before the **[REDACTED]**. However, we cannot assure you that we will be able to complete all filing requirements that may be implemented under the proposed regulatory regime in time or at all as the filing requirements are subject to change with substantial uncertainty. As of the Latest Practicable Date, (i) the Draft Regulations on Listing are still in their draft forms and have not come into effect, (ii) neither the CSRC nor any other PRC governmental authorities have cited any laws, regulations or regulatory documents currently in effect that expressly require us to comply with any approval, verification or filing procedures in connection with the **[REDACTED]**, and (iii) we have not received any inquiries, notices, warnings or penalties from the CSRC or any other PRC governmental authorities regarding the filing requirements under the Draft Regulations on Listing in relation to the **[REDACTED]**, the PRC Legal Advisor is of the view that we are not required to go through the filing procedures with the CSRC in relation to the **[REDACTED]** pursuant to the Draft Regulations on Listing as of the Latest Practicable Date.

Furthermore, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. If it is determined in the future that approval from the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval or meet such requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization for this **[REDACTED]**, and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside of the PRC, delay or restrict the repatriation of the **[REDACTED]** from the **[REDACTED]** into the PRC or take other actions to restrict our financing activities, which could have a material adverse effect on our business.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in the document based on foreign laws.

We are a company incorporated under the laws of the Cayman Islands. We conduct substantially all of our operations in China, and substantially all of our assets are located in China. In addition, all our senior executive officers reside within China for a significant portion of the time and most are PRC nationals. As a result, it may be difficult for our Shareholders to effect service of process upon us or those persons inside China. In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a Cayman Islands holding company and we rely principally on dividends and other distributions on equity from our PRC subsidiaries for our cash requirements, including for services of any debt we may incur.

Our PRC subsidiaries' ability to distribute dividends is based upon their distributable earnings. Current PRC regulations permit our PRC subsidiaries to pay dividends to their respective shareholders only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC subsidiaries are required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Where the aggregate balance of the statutory capital reserve is insufficient to make up for the losses in the previous year, PRC subsidiaries shall make up such losses using their profits of the current year before making contribution to the statutory capital reserve in accordance with applicable PRC regulations. The reserve, together with the registered capital, is not distributable as cash dividends. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. Any limitation on the ability of our PRC subsidiaries to distribute dividends or other payments to their respective shareholders could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends or otherwise fund and conduct our business.

The custodians or authorized users of our controlling non-tangible assets, including chops and seals, may fail to fulfill their responsibilities, or misappropriate or misuse these assets.

Under PRC law, legal documents for corporate transactions, including agreements and contracts are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with relevant PRC industry and commerce authorities.

In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit the application through our office automation system and the application will be verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to authorized employees. Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of one of our subsidiaries. If any employee obtains, misuses or misappropriates our chops and seals or other controlling non-tangible assets for whatever reason, we could experience disruption to our normal business operations, and we may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies may delay us from using the [REDACTED] of this [REDACTED], to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Under PRC laws and regulations, we are permitted to utilize the **[REDACTED]** from this **[REDACTED]** to fund our PRC subsidiaries by making loans to or additional capital contributions to our PRC subsidiaries, subject to applicable government registration, statutory limitations on amount and approval requirements. Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration or filing with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises (the "**FIEs**") in China, capital contributions to our PRC subsidiaries are subject to the registration with the SAMR or its local counterpart and the necessary filings in the enterprise registration system and the National Enterprise Credit Information Publicity System as well as the registration with a local bank authorized by the SAFE.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement 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 SAFE Circular 19, which took effect as of June 1, 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of FIEs and allows FIEs to settle their foreign exchange capital at their discretion, but continues to prohibit FIEs from, including but not limited to, using the Renminbi fund converted from their foreign exchange capital for expenditure beyond their business scopes, providing entrusted loans or repaying loans between non-financial enterprises. The SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《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 SAFE Circular 16, effective in June 2016. Pursuant to SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities, with the exception that such granting is expressly permitted in the business license. In January 2017, October 2019 and April 2020, SAFE further promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《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》) (the "**SAFE Circular 3**"), the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "**SAFE Circular 28**") and the Circular of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Management Service in Support of Foreign Business Development 《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》 (the "**SAFE Circular 8**"), respectively. Among others, SAFE Circular 28 relaxes prior restrictions and allows foreign-invested enterprises that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as the investments are real and in compliance with the foreign investment-related laws and regulations. SAFE Circular 3 stipulates several capital control measures with respect to the outbound remittance of profits from domestic entities to offshore entities while SAFE Circular 8 stipulates the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. For further information, see "Regulatory Overview – Laws and Regulations Related to Foreign Exchange."

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, including SAFE Rules and Circulars referred to above, we cannot assure you that we will be able to complete the necessary government registrations or filings on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries, or additional capital contributions by us to our PRC subsidiaries, and conversion of such loans or capital contributions into RMB. If we fail to complete such registrations or filings, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely affect our ability to fund and expand our business.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of the Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government's policies, and depends, to a large extent, on domestic and international economic and political developments, as well as supply and demand in the local market. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates, and to achieve policy goals. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

The **[REDACTED]** from the **[REDACTED]** will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in a decrease in the value of our **[REDACTED]** from the **[REDACTED]**. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in a foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Moreover, we are also currently required to obtain the SAFE or its local counterpart's approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, and results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

Governmental control of currency conversion may limit our ability to utilize our revenue 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 revenue in Renminbi. 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. 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 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. Any failure to comply with applicable foreign exchange regulations may subject us to administrative fines or even criminal penalties, which could materially and adversely affect the value of your **[REDACTED]**.

Since 2016, the PRC government has tightened its foreign exchange policies again and stepped up scrutiny of major outbound capital movement. More restrictions and a substantial vetting process have been put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demand, we may not be able to pay dividends in foreign currencies to our Shareholders.

Certain PRC regulations may make it more difficult for us to pursue growth through acquisitions.

Among other things, the M&A Rules established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulation requires, among other things, that the foreign investor should submit a declaration to the MOFCOM in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise in any of the following circumstances: (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. We do not expect that any of our further merger and acquisition will trigger the requirement to submit such declaration to MOFCOM under any of the above-mentioned circumstances or any review by other PRC government authorities.

Moreover, the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC which became effective in 2008 and recently amended in 2022 requires that transactions which are deemed concentrations and involve parties with specified share of the market must be cleared by the SAMR before they can be completed. In addition, the Notice on the Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by the State Council (《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》), effective in March 2011, and Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法 》), effective in January 2021, require acquisitions by foreign investors of PRC companies engaged in certain industries that are crucial to national security be subject to security review before the consummation of such acquisition.

We may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from the SAMR, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 further requires amendment to the SAFE registrations in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as change of the offshore special purpose vehicle's name and operation term, or any significant changes with respect to the PRC individual shareholder, such as increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions. SAFE Circular 37 is applicable to our Shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future.

If our shareholders who are PRC residents fail to make the required registration or to update the previously filed registration, the PRC subsidiary may be prohibited from distributing its profits or the

[REDACTED] from any capital reduction, share transfer or liquidation to the offshore parent, and the special purpose vehicle may also be prohibited from making additional capital contributions into its PRC subsidiary. On February 13, 2015, the SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy 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》), or SAFE Notice 13, which became effective on June 1, 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

As of the Latest Practicable Date, our Shareholder, Mr. Wu Xiangdong, is subject to SAFE regulations, and had completed the registration with qualified banks as required by SAFE Circular 37. We can provide no assurance that we are or will in the future continue to be informed of identities of all PRC residents holding direct or indirect interest in our Company. Any failure or inability by such individuals to comply with SAFE regulations may subject us to fines or legal sanctions, such as restrictions on our cross-border investment activities or our PRC subsidiaries' ability to distribute dividends to, or obtain foreign exchange-denominated loans from, our Company or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

Any adverse change in our tax treatment could have a material and adverse impact on our business and results of operations.

We are subject to income tax as well as other taxes, such as VAT, consumption tax, stamp duty, environmental protection tax, withholding taxes and obligations and local surcharges in China. We are also subject to reviews, examinations and audits by Chinese tax authorities. If Chinese tax authorities disagree with our tax positions, we could face additional tax liabilities, including but not limited to potential interest, late fees and penalties. Payment of such additional amounts upon final settlement or adjudication of any disputes could have a material adverse impact on our results of operations and financial condition.

Moreover, the tax regime in China is rapidly evolving and there can be significant uncertainty for taxpayers in China as Chinese tax laws may change significantly or be subject to uncertain interpretations. Any increases in tax rates, changes in legislation, regulation or interpretation of existing laws and regulations in China where we are subject to taxation could increase our taxes and have an adverse effect on our results of operations and financial condition.

If we are classified as a PRC resident enterprise for PRC enterprise 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》) and its implementation rules, an enterprise established outside of the PRC with its "*de facto* management body" within the PRC is considered a "resident enterprise" and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "*de facto* management body" as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. The STA issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People's Republic of China Tax

Resident Enterprises on the Basis of *De Facto* Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or the STA Circular 82, on April 22, 2009 and most recently amended on December 29, 2017 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. Although this circular applies only to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the STA's general position on how the "*de facto* management body" text should be applied in determining the tax resident status of all offshore enterprises. According to STA Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident 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: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

There have been no official implementation rules regarding the determination of the "*de facto* management bodies" for foreign enterprises which are not controlled by Chinese enterprises (including companies like us). Therefore, it remains unclear how the tax authorities will treat a case like ours. If the PRC tax authorities determine that our Company or any of its non-PRC subsidiaries is a PRC resident enterprise for enterprise income tax purposes, our Company or such subsidiary would be subject to PRC enterprise income on its worldwide income at the rate of 25%. Furthermore, if we were treated as a PRC tax resident enterprise, we would be required to withhold a 10% 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 our Shares, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends paid to our non-PRC individual Shareholders and any gain realized on the transfer of our Shares by such Shareholders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source). These rates may be reduced by an applicable tax treaty, but it is unclear whether in practice non-PRC Shareholders of our Company would be able to obtain 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.

In addition to the uncertainty as to the application of the "resident enterprise" classification, we cannot assure you that the PRC government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements or higher tax rates. Any of such changes could materially and adversely affect our financial condition and results of operations.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

On February 3, 2015, the STA issued the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises (《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》), or STA Bulletin 7. STA Bulletin 7 extends its tax jurisdiction to transactions involving the transfer of taxable assets through offshore transfer of a foreign intermediate holding company. In addition, STA Bulletin 7 has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. STA Bulletin 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets, as such persons need to determine whether their transactions are subject to these rules and whether any withholding obligation applies.

On October 17, 2017, the STA issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《關於非居民企業所得稅源泉扣繳有關問題的公告》), or STA Bulletin 37, which came into effect on December 1, 2017. The STA Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who pays for the transfer is obligated to withhold the applicable taxes for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. Our Company may be subject to filing obligations or taxed if our Company is transferor in such transactions, and may be subject to withholding obligations if our Company is transferee in such transactions, under STA Bulletin 7 and/or STA Bulletin 37. For transfer of shares in our Company (other than on public securities markets) by **[REDACTED]** who are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under STA Bulletin 7 and/or STA Bulletin 37. As a result, we may be required to expend valuable resources to comply with STA Bulletin 7 and/or STA Bulletin 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our Company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

Laws and regulations related to e-commerce activities in China may impose additional requirements and obligations on our online stores or could increase our compliance cost.

The e-commerce industry in which we have operations is highly regulated. As the e-commerce industry is evolving rapidly in China, new laws and regulations may be adopted to address new issues that arise from time to time and to impose additional restrictions on our e-commerce business, and we cannot assure you that we would be able to meet all the regulatory requirements in a timely manner, or at all. For example, the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), promulgated by the SCNPC in August 2018 and implemented in January 2019, requires all e-commerce operators, broadly defined to include natural persons, legal persons and unincorporated organizations that engage in business activities of selling commodities or offering services through the internet and other information networks, to abide by the principles of voluntariness, equality, equity and good faith, observe the law and business ethics, fairly participate in market competition, perform obligations in aspects including protection of consumer rights and interests, environment, intellectual property rights, cybersecurity and individual information, assume responsibility for quality of products or services, and accept the supervision by the government and the public. Such legislation and enforcement may result in additional compliance obligations and costs or place restrictions upon our current or future operations. Any failure to comply with all applicable laws and regulations may subject us to fines and other regulatory actions, which could have a material adverse effect on our business and results of operations.

Our environmental related costs may increase if the Chinese environmental protection laws become more onerous, and any non-compliance with relevant environmental protection laws could lead to imposition of fines and penalties and harm our business.

The industry in which we operate is subject to PRC environmental protection laws and regulations. These laws and regulations require companies engaged in manufacturing and construction that may cause environmental waste to adopt effective measures to control and properly discharge waste gasses, waste water, industrial waste, dust and other environmental waste, and that the fees in relation to the discharge of wastes should be borne by the producer of the wastes. We are also required by the PRC laws and regulations to obtain pollutant discharge permits from government authorities for the treatment and disposal of the waste gasses, waste water and solid waste produced during our manufacturing processes. See "Regulatory Overview – Laws and Regulations on Environmental Protection" Any violation of these regulations may result in substantial fines, order of suspension of operations, order of rectification, revocation of operating permits, or even criminal sanctions.

In recent years, the PRC government has strengthened environmental protection through promulgating new laws and regulations and revising existing laws and regulations. Our business involves environmental-related issues, including water taking, discharging solid waste from plants, and construction works for water source mining, and are required to complete environment impact assessment in a timely manner. Although we have not received any notice or warning from the government on material environmental violations, the PRC government may enact new laws or revise existing laws and regulations to set higher environmental requirements and standards on the industry where we operate and the businesses which we are engaged in.

In addition, due to the possibility of unanticipated regulatory or other changes, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. Our cost of complying with current and future environmental regulations, and liabilities which may potentially arise from pollutant discharge, may materially adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

There has been no prior public market for Shares, and an active trading market for Shares of the Company may not develop.

Prior to the **[REDACTED]**, there has been no public market for our Shares. The initial **[REDACTED]** range of our Shares, and the **[REDACTED]**, will be the result of negotiations between the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) and us. In addition, while we have applied to have our Shares **[REDACTED]** on the Stock Exchange, there can be no guarantee that (i) an active trading market for our Shares will develop or, (ii) if it does, that it will be sustained following the completion of the **[REDACTED]**, or (iii) that the **[REDACTED]** of our Shares will not decline below the **[REDACTED]**. You may not be able to resell your Shares at a price that is attractive to you, or at all.

The price and [REDACTED] of our Shares may be volatile which may result in substantial losses for [REDACTED] purchasing the Company’s shares in the [REDACTED].

The price and trading volume of the Shares may be volatile. The **[REDACTED]** of the shares may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond our control:

- variations of our results of operations (including variations arising from foreign exchange rate fluctuations);
- loss of customers;
- changes in securities analysts’ estimates of our financial performance;
- announcement by us of significant acquisitions, greenfield developments, strategic alliances or joint ventures;
- addition or departure of key personnel;
- fluctuations in stock **[REDACTED]** and volume;
- involvement in litigation; and
- general economic and stock market conditions.

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

Since there will be a gap of several days between **[REDACTED]** and **[REDACTED]** of the Company’s Shares, shareholders of the Company are subject to the risk that the price of Shares may fall during the period before **[REDACTED]** of Shares begins.

The **[REDACTED]** of our Shares is expected to be determined on the **[REDACTED]**. However, our shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the **[REDACTED]**. As a result, **[REDACTED]** may not be able to sell or deal in our shares during that period. Accordingly, holders of our shares are subject to the risk that the price of our shares may fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

Future sale or major divestment of Shares by the Controlling Shareholders or financial investors of the Company may materially and adversely affect the prevailing [REDACTED] of our Shares.

The future sale of a significant number of our Shares by the Controlling Shareholders or financial investors in the public market after the **[REDACTED]**, or the perception that such sale may occur, could materially and adversely affect the **[REDACTED]** of our Shares and could materially impair our ability to raise capital through future **[REDACTED]** of our Shares. Any major disposal of our Shares by any of the Controlling Shareholders and financial investors (or the perception that these disposals may occur) may cause the prevailing **[REDACTED]** of our Shares to fall, which may negatively impact our ability to raise capital in the future. While we currently are not aware of any intention of the Controlling Shareholders or financial investors of the Company to dispose of a significant amount of their Shares, we cannot assure you that they will not dispose of any Shares that they own or may own in the future.

The interests of the Company may conflict with those of the Controlling Shareholders, who may take actions that are not in, or may conflict with, the best interests of the Company or its public shareholders.

Immediately after completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), the Controlling Shareholders will hold approximately **[REDACTED]**% of the issued share capital of our Company. The interests of the Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of the Controlling Shareholders conflict with the interests of our other Shareholders, or if the Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, the non-controlling shareholders may be disadvantaged by the actions that the Controlling Shareholders choose to cause us to pursue.

The Controlling Shareholders have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. The Controlling Shareholders have no obligation to consider the interests of the Company or the interests of our other shareholders. As such, the Controlling Shareholders' interests may not necessarily be in line with the best interests of the Company or the interests of our other Shareholders, which may have a material and adverse effect on the Company's business operations and the price at which our Shares are **[REDACTED]** on the Stock Exchange.

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

This document, particularly the section headed "Business" and "Industry Overview" in this document, contains information and statistics, including but not limited to information and statistics relating to the baijiu industry and markets. Such information and statistics have been derived from various official government and other publications and from a third-party report commissioned by us. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by the Company, the Joint Sponsors, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the Joint **[REDACTED]**, the **[REDACTED]**, any of our or their respective directors, officers or representatives or any other person involved in the **[REDACTED]** and no representation is given as to its accuracy. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, in other jurisdictions. Therefore, you should not unduly rely upon the industry facts and statistics contained in this document.

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

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

Purchasers of our Shares in the [REDACTED] may experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The **[REDACTED]** of our Shares is higher than the net tangible asset value per Share immediately prior to the **[REDACTED]**. Therefore, purchasers of our Shares in the **[REDACTED]** may experience an immediate dilution. In order to expand our business, we may consider **[REDACTED]** and **[REDACTED]** additional Shares in the future. Purchasers of our Shares may experience further dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share.

We cannot assure you whether and when we will declare and pay dividends in the future.

While our Group declared an aggregate of RMB1,886.1 million of distributions/dividends in 2021, there is no assurance as to whether and when we will pay dividends in the future. Declaration and distribution of dividends shall be proposed and formulated by our Board of Directors at their discretion and will be subject to shareholder approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial condition, operating and capital expenditure requirements, distributable profits, future prospects and other factors that our Board of Directors may determine are important. Accordingly, our historical dividend distributions are not indicative of our future dividend distribution policy and potential **[REDACTED]** should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined. See "Financial Information – Dividends" for more details of our dividend policy.

There may be difficulties in protecting your interests under the laws of the Cayman Islands.

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

[REDACTED] should read the entire document carefully and should not consider any particular statements in this document or in published media reports without carefully considering the risks and other information contained in this document.

Prior to the publication of this document, there has been coverage in the media regarding us and the **[REDACTED]**, which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the **[REDACTED]**. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or there are conflicts with the information contained in this document. Accordingly, prospective **[REDACTED]** are cautioned to make their **[REDACTED]** decisions on the basis of the information contained in this document only and should not rely on any other information.