小菜园

小菜園國際控股有限公司
Xiaocaiyuan International Holding Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 0999

GLOBAL OFFERING

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

华泰国际 HUATAI INTERNATIONAL

UBS 瑞銀集團

Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

國元國際 GUOYUAN INTERNATIONAL

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

小菜园

XIAOCAIYUAN INTERNATIONAL HOLDING LTD.
小菜園國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	101,180,800 Offer Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	10,118,400 Offer Shares (subject to reallocation)
Number of International Offer Shares	:	91,062,400 Offer Shares (subject to reallocation and the Over-allotment Option)
Offer Price	:	HK$8.50 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	US$0.00001 per Share
Stock code	:	0999

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

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Joint Bookrunners and Joint Lead Managers

招銀国际 CMB INTERNATIONAL

農銀國際 ABC INTERNATIONAL

ICBC 工银国际

Joint Lead Managers

富途證券

TradeGo Markets

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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price per Offer Share will be HK$8.50 unless otherwise announced. Applicants for the Hong Kong Offer Shares may be required to pay, on application (subject to application channels), the Offer Price of HK$8.50 for each Hong Kong Offer Share together with brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565%.

The Overall Coordinators, on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the Offer Price below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the Offer Price will be published on the website of our Company at **www.xiaocaiyuan.com** and on the website of the Stock Exchange at **www.hkexnews.hk** as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" of this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.xiaocaiyuan.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

December 12, 2024

IMPORTANT NOTICE TO INVESTORS
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at **www.xiaocaiyuan.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online through the **HK eIPO White Form** service at **www.hkeipo.hk**;

(2) apply through the **HKSCC EIPO** channel to electronically cause HKSCC Nominees to apply on your behalf, including by instructing your **broker** or **custodian** who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **HK eIPO White Form** service or the **HKSCC EIPO** channel must be for a minimum of 800 Hong Kong Offer Shares and in one of the numbers set out in the table. If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares. If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment
	HK$		*HK$*		*HK$*		*HK$*
800	6,868.57	16,000	137,371.55	140,000	1,202,001.16	1,000,000	8,585,722.50
1,600	13,737.16	20,000	171,714.46	160,000	1,373,715.60	1,200,000	10,302,867.00
2,400	20,605.73	24,000	206,057.35	180,000	1,545,430.06	1,400,000	12,020,011.50
3,200	27,474.31	28,000	240,400.24	200,000	1,717,144.50	1,600,000	13,737,156.00
4,000	34,342.89	32,000	274,743.12	300,000	2,575,716.76	1,800,000	15,454,300.50
4,800	41,211.47	36,000	309,086.01	400,000	3,434,289.00	2,000,000	17,171,445.00
5,600	48,080.05	40,000	343,428.90	500,000	4,292,861.26	3,000,000	25,757,167.50
6,400	54,948.62	60,000	515,143.36	600,000	5,151,433.50	4,000,000	34,342,890.00
7,200	61,817.20	80,000	686,857.80	700,000	6,010,005.76	5,059,200(1)	43,436,887.27
8,000	68,685.78	100,000	858,572.26	800,000	6,868,578.00		
12,000	103,028.66	120,000	1,030,286.70	900,000	7,727,150.26		

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, Hong Kong Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, Hong Kong Stock Exchange trading fee and AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the Company's website at ***www.xiaocaiyuan.com*** *and the website of the Stock Exchange at* ***www.hkexnews.hk****.*

Hong Kong Public Offering commences . . . . .9:00 a.m. on Thursday, December 12, 2024

Latest time for completing electronic applications under the **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[2] . . . . .11:30 a.m. on Tuesday, December 17, 2024

Application lists open[3] . . . . .11:45 a.m. on Tuesday, December 17, 2024

Latest time for (a) completing payment for the **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[4] . . . . .12:00 noon on Tuesday, December 17, 2024

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction, you are advised to contact your **broker** or **custodian** for the earliest and latest time for giving such instructions, as this may vary by **broker** or **custodian**.

Application lists close[3] . . . . .12:00 noon on Tuesday, December 17, 2024

Announcement of the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offering to be published on the website of the Stock Exchange at **www.hkexnews.hk** and on the Company's website at **www.xiaocaiyuan.com**[5] on or before . . . . .11:00 p.m. on Thursday, December 19, 2024

Results of allocations in the Hong Kong Public Offering to be available through a variety of channels including:

(1) in the announcement to be posted on our Company's website at **www.xiaocaiyuan.com**[5] and the Stock Exchange's website at **www.hkexnews.hk** no later than . . . . .11:00 p.m. on Thursday, December 19, 2024

(2) from the "Allotment Results" page at the designated results of allocations website at **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) with a "search by ID" function on a 24-hour basis . . . . .from 11:00 p.m. on Thursday, December 19, 2024 to 12:00 midnight on Wednesday, December 25, 2024

(3) from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from . . . . .Friday, December 20, 2024 to Friday, December 27, 2024 (excluding Saturday, Sunday or public holiday in Hong Kong)

Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before[6] . . . . Thursday, December 19, 2024

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/ refund cheques on or before[7] . . . . Friday, December 20, 2024

Dealings in the Shares on the Stock Exchange expected to commence at . . . . 9:00 a.m. on Friday, December 20, 2024

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

(2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 17, 2024, the application lists will not open and will close on that day. For further details, please see "How to Apply for Hong Kong Offer Shares – E. Bad Weather Arrangements" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Offer Shares – 2. Application Channels" in this prospectus.

(5) None of the websites or any of the information contained on the websites forms part of this prospectus.

(6) Share certificates will only become valid evidence of title at 8:00 a.m. on Friday, December 20, 2024 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates or before the Share certificates become valid evidence of title do so entirely at their own risk.

(7) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering. Part of the applicant's identification document number provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's identification document number before encashment of the refund cheque. Inaccurate completion of an applicant's identification document number may invalidate or delay encashment of the refund cheque.

The above expected timetable is a summary only. For further details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for applications for Hong Kong Offer Shares, please see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, the Company will make an announcement as soon as practicable thereafter.

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Public Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, any of the Underwriters, any of their respective directors, officers, representatives or advisors or any other person involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully in full before you decide to invest in the Offer Shares.

OVERVIEW

We are one of the renowned self-operated chain restaurants in China's mass Chinese cuisine market. According to Frost & Sullivan, the mass Chinese cuisine market is a sub-segment of Chinese cuisine market with average spending per consumer below RMB100. Capitalizing on our deep comprehension of China's evolving catering industry, the anticipated modernization and industrialization in the industry, and the inherent consumer demand, we strategically ventured into the growing mass Chinese cuisine sector. Since our establishment in 2013, we have been striving to offer consumers home-style flavor dishes and attentive services at affordable prices. We aspire to establish our *Xiaocaiyuan* restaurants as the "home kitchen" widely acknowledged by Chinese consumers. As of the Latest Practicable Date, we had 663 self-operated restaurants under operation, with a coverage of 146 cities or counties across 14 provinces in China. Currently, our major areas of restaurant operation are in Eastern China. According to Frost & Sullivan, in terms of the restaurant revenue for 2023, *Xiaocaiyuan* ranked first among all brands in China's mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100, accounting for a market share of 0.2%. The market size, measured by revenue, of the mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100 was RMB2,252.9 billion in 2023, accounting for approximately 55.2% of the overall Chinese cuisine market.

China's economic and social landscapes are experiencing complex and significant transformations. The growth of the disposable income per capita of urban households remains stable but at a slower rate, the rising urbanization rate and the changes in the demographic structure are fueling the growth of the mass Chinese cuisine market. As a result, the dynamic and evolving mass Chinese cuisine market accommodates the persistent and increasing demand of the vast consumer base for affordable dining experiences, demonstrating its immense size and growth potential. In 2023, the mass Chinese cuisine market reached a market size of RMB3,618.7 billion, making it the largest segment within the Chinese cuisine industry. The market size of the mass Chinese cuisine market is projected to increase at a CAGR of 9.1% from 2023 to 2028 and reach RMB5,587.1 billion in 2028. Particularly, the sub-segments with average spending per consumer below RMB50 and between RMB50 and RMB100 have both demonstrated strong growth momentums, with their respective market sizes being RMB1,365.8 billion and RMB2,252.9 billion in 2023, and expected to reach RMB2,137.6 billion and RMB3,449.5 billion in 2028, respectively. We believe that the present market dynamics and future growth prospects present favorable external conditions and opportunities for our continued development.

Our Performance

In 2021, 2022 and 2023, we have achieved rapid growth and maintained profitability, exceeding the industry level. These not only showcase our business resilience amidst the COVID-19 pandemic but also underscore our capacity for robust recovery in the post-pandemic period. In the eight months ended August 31, 2024, we achieved stable growth and expansion in terms of restaurant network, revenue and net profit as compared to the same period in 2023.

- ***Revenue.*** Despite the challenges brought by the COVID-19 pandemic to the catering industry in China, our revenue increased from RMB2,645.8 million in 2021 to RMB3,213.4 million in 2022, and further increased to RMB4,549.4 million in 2023. In 2023, our revenue increased by 41.6% as compared to that in 2022. Our revenue increased from RMB3,070.3 million in the eight months ended August 31, 2023 to RMB3,544.0 million in the eight months ended August 31, 2024.

- ***Number of self-operated restaurants.*** The total number of our self-operated restaurants increased from 278 at the beginning of the Track Record Period to 640 as of August 31, 2024.

- ***Same store sales growth.*** Our same store sales for *Xiaocaiyuan* restaurants increased by 1.2% from 2021 to 2022, and further increased by 20.8% from 2022 to 2023. Our same store sales for *Xiaocaiyuan* restaurants decreased by 11.4% in the eight months ended August 31, 2024 as compared to the same period in 2023.

- ***Restaurant-level operating margin.*** In 2021, 2022 and 2023, we recorded restaurant-level operating margins of 15.9%, 14.2% and 19.7%, respectively. In the eight months ended August 31, 2024, we recorded restaurant-level operating margins of 17.8%.

- ***Profitability.*** Despite the adverse impacts brought by the COVID-19 pandemic, our net profit increased from RMB227.1 million in 2021 to RMB237.6 million in 2022, and it further increased by 124.0% to RMB532.1 million in 2023. Our net profit also increased by 1.5% to RMB400.6 million in the eight months ended August 31, 2024, as compared to RMB394.8 million in the eight months ended August 31, 2023. Our net profit margins were 8.6% in 2021 and 7.4% in 2022, increased to 11.7% in 2023, and remained stable at 11.3% in the eight months ended August 31, 2024.

In the eight months ended August 31, 2024 as compared to the same period of 2023, our same store sales for *Xiaocaiyuan* restaurants decreased by 11.4% and our restaurant-level operating margins decreased from 21.3% to 17.8%, mainly due to (i) the base effect as a result of the rapid surge in spendings of consumers in China's catering market during the first several months in 2023 following the gradual phasing-out of the COVID-19 pandemic, which was in line with the spending trends in other consumer sectors according to Frost & Sullivan; (ii) our adjustments to the menu item prices to accommodate the preferences of consumers, demonstrating our long-term commitment to bringing cost-effective experience to our customers; for example, in the eight months ended August 31, 2024 as compared to the year of 2023, (a) the average price of Cauldron Cooked Spring Chicken decreased from RMB64.5 to RMB54.9, and (b) the average price of Slate Garlic Prawn decreased from RMB55.7 to RMB53.3; and (iii) some of the newly opened *Xiaocaiyuan* restaurants in the eight months ended August 31, 2024 were still in their ramp-up period as of August 31, 2024.

OUR RESTAURANTS

As of the Latest Practicable Date, we have built a restaurant network consisting of 663 self-operated restaurants across different parts of China, with substantially all of them under the *Xiaocaiyuan* brand. During the Track Record Period, we primarily generated our revenue from our *Xiaocaiyuan* branded restaurants, which accounted for 98.7%, 98.8%, 99.1%, 99.1% and 99.0% of our total revenue in 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, respectively.

We strive to offer consumers home-style flavor dishes and attentive services at affordable prices. For each consumer who walks into any of our *Xiaocaiyuan* restaurants, we promise: (i) to serve dishes within 25 minutes after order placed, or the dish will be complimentary; (ii) unconditional exchange or refund for any unsatisfactory dish; and (iii) to use high-quality food ingredients and to provide compensation of ten times of the price for any dish with quality issue. During the Track Record Period, we did not incur any loss in fulfilling the aforementioned promises that could materially adversely affect our business operations or financial performance. Consumers may opt for our restaurants for a variety of occasions, from casual daily dining, gatherings with families and friends, special event celebrations and business meals.

We insist on on-site cooking to serve consumers healthy and freshly-made dishes, differentiating ourselves from pre-made dishes and achieving long-term trust from consumers. To preserve the original flavor of food ingredients to the extent possible, we are cautious with the use of oil, salt and other condiments in the cooking process. We design and tailor our menu for each season, covering a wide range of popular Chinese home-style dishes, which allows people from different parts of China with varied dietary habits and taste preferences to find a menu item that suits them. Based on consumers' preferences and feedbacks, we update our menu periodically to include new menu items and seasonal specialities. To ensure our consumers have affordable dining experiences, we price menu items to achieve average spending per consumer between RMB50 and RMB70 for our dine-in customers at our *Xiaocaiyuan* restaurants.

Each *Xiaocaiyuan* restaurant is designed and decorated with a cozy and inviting atmosphere, offering consumers the delightful experience of dining at home. We infuse elements of ancient Chinese architecture, such as Ma Tou wall settings, and natural landscape into the design of our *Xiaocaiyuan* restaurants, with wide use of wooden furniture and decoration and the application of modern metal embellishments in black.

The following table sets forth the distribution of the number and revenue of our *Xiaocaiyuan* restaurants across different tiers of cities in China as of the dates and for the periods indicated:

	As of/for the year ended December 31,									As of/for the eight months ended August 31,					
	2021			2022[1]			2023			2023			2024[1]		
	Number	*Revenue*	*%*	*Number*	*Revenue*	*%*	*Number*	*Revenue*	*%*	*Number*	*Revenue*	*%*	*Number*	*Revenue*	*%*
	(RMB in thousands, except for the numbers of restaurant and percentages)														
First-tier cities[2]	48	340,914.9	13.1	55	413,992.0	13.1	84	756,579.8	16.8	73	486,289.1	16.0	97	620,050.1	17.7
New first-tier cities[3]	92	716,284.4	27.4	102	899,763.9	28.3	149	1,296,081.2	28.8	123	856,416.6	28.1	184	1,027,630.9	29.3
Second-tier cities[4]	44	371,848.6	14.2	49	409,915.4	12.9	61	532,860.7	11.8	54	370,439.7	12.2	77	428,261.3	12.2
Third-tier cities and below[5] (including county-level cities and counties)	191	1,182,555.2	45.3	213	1,450,896.9	45.7	242	1,922,446.3	42.6	221	1,330,412.2	43.7	278	1,432,182.0	40.8
Total	**375**	**2,611,603.1**	**100.0**	**419**	**3,174,568.2**	**100.0**	**536**	**4,507,968.0**	**100.0**	**471**	**3,043,557.6**	**100.0**	**636**	**3,508,124.3**	**100.0**

Notes:

(1) There were transformations of *Xiaocaiyuan* restaurants from *Fuxinglou* restaurants in December 2022 (initially opened in September 2021) and in June 2024 (initially opened in December 2020), respectively.

(2) "First-tier cities," for the purpose of this prospectus, refer to the urban areas of Beijing, Guangzhou, Shanghai and Shenzhen.

(3) "New first-tier cities," for the purpose of this prospectus, refer to the urban areas of Changsha, Chengdu, Chongqing, Dongguan, Hangzhou, Hefei, Kunming, Nanjing, Ningbo, Qingdao, Suzhou, Tianjin, Wuhan, Xi'an, and Zhengzhou.

(4) "Second-tier cities," for the purpose of this prospectus, refer to the urban areas of Baoding, Changchun, Changzhou, Dalian, Foshan, Fuzhou, Guiyang, Harbin, Huizhou, Jiaxing, Jinan, Jinhua, Linyi, Nanning, Nanchang, Nantong, Quanzhou, Shaoxing, Shenyang, Shijiazhuang, Taiyuan, Taizhou, Weifang, Wenzhou, Wuxi, Xiamen, Xuzhou, Yantai, Zhongshan and Zhuhai.

(5) "Third-tier cities and below," for the purpose of this prospectus, refer to cities, county-level cities and counties in China other than first-tier cities, new first-tier cities and second-tier cities.

The following table sets forth the distribution of the number and revenue of our *Xiaocaiyuan* restaurants in China as of the dates and for the periods indicated:

	As of/for the year ended December 31,									As of/for the eight months ended August 31,					
	2021			2022[1]			2023			2023			2024[1]		
	Number	*Revenue*	*%*	*Number*	*Revenue*	*%*	*Number*	*Revenue*	*%*	*Number*	*Revenue*	*%*	*Number*	*Revenue*	*%*
	(RMB in thousands, except for the numbers of restaurant)														
Jiangsu Province	183	1,386,843.4	53.1	206	1,695,523.5	53.4	246	2,200,635.7	48.8	224	1,510,930.8	49.6	259	1,536,616.5	43.8
Anhui Province	109	705,935.1	27.0	119	819,202.6	25.8	129	1,086,439.6	24.1	123	754,152.1	24.8	136	741,782.3	21.1
Shanghai	40	302,069.6	11.6	46	357,515.1	11.3	61	621,761.8	13.8	55	409,019.9	13.4	69	453,016.7	12.9
Zhejiang Province	24	116,376.4	4.5	26	176,687.0	5.6	38	282,270.2	6.3	31	186,353.8	6.1	62	291,604.9	8.3
Beijing	6	25,633.5	1.0	7	42,530.0	1.3	16	92,921.1	2.1	12	50,993.9	1.7	19	119,958.2	3.4
Hubei Province	7	38,588.3	1.5	7	43,098.4	1.4	16	86,167.9	1.9	10	53,151.5	1.8	26	112,879.6	3.2
Tianjin	3	15,844.2	0.6	5	21,076.3	0.7	11	78,162.7	1.7	9	45,917.6	1.5	16	85,553.1	2.5
Others[2]	3	20,312.9	0.8	3	18,935.5	0.6	19	59,609.0	1.3	7	33,038.0	1.1	49	166,713.1	4.8
Total	**375**	**2,611,603.1**	**100.0**	**419**	**3,174,568.2**	**100.0**	**536**	**4,507,968.0**	**100.0**	**471**	**3,043,557.6**	**100.0**	**636**	**3,508,124.3**	**100.0**

Notes:

(1) There were transformations of *Xiaocaiyuan* restaurants from *Fuxinglou* restaurants in December 2022 (initially opened in September 2021) and in June 2024 (initially opened in December 2020), respectively.

(2) Others include Guangdong Province, Shandong Province, Jiangxi Province, Hebei Province, Shaanxi Province and Henan Province.

The following table summarizes the movement in the numbers of all restaurants during the periods indicated:

	For the year ended December 31,			For the eight months ended August 31, 2024*	From August 31, 2024 to the Latest Practicable Date
	2021	2022*	2023		
Number of restaurants at the beginning of the period	278	379	422	542	640
Number of new restaurants opened during the period	107	48	132	109	29
Number of restaurants closed during the period	6	5	12	11	6
Number of restaurants at the end of the period	379	422	542	640	663

Note:

* The numbers of newly opened/closed restaurants do not count in the transformation of *Xiaocaiyuan* restaurants from *Fuxinglou* restaurants in December 2022 (initially opened in September 2021) and in June 2024 (initially opened in December 2020), respectively.

Key Performance Indicators

The key performance indicators for our *Xiaocaiyuan* restaurants across different tiers of cities are set forth in the tables below for the periods indicated.

	For the year ended December 31,			For the eight months ended August 31,	
	2021	**2022[(1)]**	**2023**	**2023**	**2024[(1)]**
Average daily sales per restaurant[(2)] (RMB)					
First-tier cities	26,856.4	27,706.6	30,879.5	32,296.5	28,325.7
New first-tier cities	25,560.6	26,926.9	30,008.8	31,957.0	25,605.0
Second-tier cities	27,108.6	26,435.9	28,328.6	30,112.1	24,806.6
Third-tier cities and below (including county-level cities and counties)	20,811.6	20,892.7	24,052.8	25,393.4	22,395.0
Overall	**23,473.8**	**23,813.8**	**27,086.8**	**28,564.6**	**24,491.4**
Total dine-in customers served (thousands)					
First-tier cities	3,965.1	3,394.2	7,047.5	4,622.9	5,730.4
New first-tier cities	8,374.6	8,291.8	12,265.6	8,326.6	10,265.9
Second-tier cities	4,708.4	4,158.0	5,391.1	3,815.0	4,591.2
Third-tier cities and below (including county-level cities and counties)	16,244.3	16,809.2	21,617.4	15,333.6	16,388.9
Total	**33,292.3**	**32,653.3**	**46,321.6**	**32,098.0**	**36,976.4**

	For the year ended December 31,			For the eight months ended August 31,	
	2021	**2022[1]**	**2023**	**2023**	**2024[1]**
Average daily dine-in sales per restaurant[3] (RMB)					
First-tier cities	21,603.9	15,615.9	19,073.2	20,406.5	16,093.6
New first-tier cities	20,574.3	17,146.8	19,073.5	20,934.2	15,225.6
Second-tier cities	23,070.9	18,019.0	19,088.6	20,696.5	15,980.2
Third-tier cities and below (including county-level cities and counties)	18,212.8	15,285.3	17,154.9	18,512.0	15,037.6
Overall	**19,793.5**	**16,106.9**	**18,153.8**	**19,641.2**	**15,365.3**
Average daily dine-in customers served per restaurant[4]					
First-tier cities	312.4	227.2	287.6	307.0	261.8
New first-tier cities	298.8	248.1	284.0	310.7	255.8
Second-tier cities	343.3	268.2	286.6	310.1	265.9
Third-tier cities and below (including county-level cities and counties)	285.9	242.1	270.5	292.7	256.3
Overall	**299.2**	**244.9**	**278.3**	**301.2**	**258.1**
Average spending per dine-in customer[5] (RMB)					
First-tier cities	69.2	68.7	66.3	66.5	61.5
New first-tier cities	68.8	69.1	67.2	67.4	59.5
Second-tier cities	67.2	67.2	66.6	66.7	60.1
Third-tier cities and below (including county-level cities and counties)	63.7	63.1	63.4	63.3	58.7
Overall	**66.1**	**65.8**	**65.2**	**65.2**	**59.5**
Total sales of delivery business (RMB in thousands)					
First-tier cities	66,675.4	180,660.0	289,266.2	179,028.3	267,761.4
New first-tier cities	139,731.3	326,804.2	472,295.1	295,400.8	416,566.1
Second-tier cities	55,385.2	130,512.9	173,803.2	115,830.9	152,379.9
Third-tier cities and below (including county-level cities and counties)	147,664.7	389,409.3	551,322.6	360,531.4	470,509.8
Total	**409,456.6**	**1,027,386.4**	**1,486,687.1**	**950,791.4**	**1,307,217.2**
Total orders from delivery business (thousands)					
First-tier cities	720.1	1,995.3	3,240.1	1,927.4	3,384.2
New first-tier cities	1,613.0	4,316.2	5,989.4	3,591.3	5,809.6
Second-tier cities	582.0	1,533.3	2,002.1	1,297.1	2,018.6
Third-tier cities and below (including county-level cities and counties)	1,900.8	5,944.8	7,678.5	4,939.6	7,150.2
Total	**4,815.9**	**13,789.5**	**18,910.2**	**11,755.4**	**18,362.6**

	For the year ended December 31,			For the eight months ended August 31,	
	2021	2022(1)	2023	2023	2024(1)
Average spending per delivery order(6) (RMB)					
First-tier cities	92.6	90.5	89.3	92.9	79.1
New first-tier cities	86.6	75.7	78.9	82.3	71.7
Second-tier cities	95.2	85.1	86.8	89.3	75.5
Third-tier cities and below (including county-level cities and counties)	77.7	65.5	71.8	73.0	65.8
Overall	**85.0**	**74.5**	**78.6**	**80.9**	**71.2**
Daily sales per unit area(7) (RMB)					
First-tier cities	78.9	80.8	94.4	97.8	88.7
New first-tier cities	71.0	76.2	88.3	92.6	81.8
Second-tier cities	79.4	77.5	84.6	89.6	77.4
Third-tier cities and below (including county-level cities and counties)	55.1	57.3	67.4	70.8	64.9
Overall	**64.4**	**66.8**	**78.4**	**82.0**	**74.4**
Table turnover rate(8)					
First-tier cities	3.4	2.6	3.4	3.5	3.2
New first-tier cities	3.3	2.9	3.4	3.6	3.2
Second-tier cities	3.9	3.1	3.4	3.6	3.3
Third-tier cities and below (including county-level cities and counties)	3.1	2.7	3.0	3.2	3.0
Overall	**3.3**	**2.8**	**3.2**	**3.4**	**3.1**

Notes:

(1) There were transformations of *Xiaocaiyuan* restaurants from *Fuxinglou* restaurants in December 2022 (initially opened in September 2021) and in June 2024 (initially opened in December 2020), respectively.

(2) Average daily sales per restaurant is calculated by dividing total revenue generated from restaurant operations and delivery business by the total restaurant operation days for the period in the same tier cities. The number of the total restaurant operation days is the sum of the operation days of all *Xiaocaiyuan* restaurants.

(3) Average daily dine-in sales per restaurant is calculated by dividing total revenue generated from restaurant operations by the total restaurant operation days for the period in the same tier cities.

(4) Average daily dine-in customers served per restaurant is calculated by dividing the total number of dine-in customers served by the total restaurant operation days for the period in the same tier cities.

(5) Average spending per dine-in customer is calculated by dividing the revenue generated from restaurant operations by total number of dine-in customers served for the period in the same tier cities.

(6) Average spending per delivery order is calculated by dividing total revenue of delivery business by total orders from our delivery business for the period in the same tier cities.

(7) Daily sales per unit area is calculated by dividing total revenue generated from restaurant operations and delivery business by the product of total restaurant operation days and restaurant operation area in sq.m. for the period in the same tier cities.

(8) Table turnover rate is calculated by dividing the aggregate number of orders placed by dine-in customers by the product of total restaurant operation days and average table count of *Xiaocaiyuan* restaurants for the period in the same tier cities.

Same Store Performance

For purposes of calculating same store performance, between two periods, we define same stores as those *Xiaocaiyuan* restaurants that were open for at least 300 days in both 2021 and 2022 and in both 2022 and 2023, and for at least 201 days both in the eight months ended August 31, 2023 and 2024. Our same store sales for *Xiaocaiyuan* restaurants increased by 1.2% from 2021 to 2022, and further increased by 20.8% from 2022 to 2023, which outperforms the industry performance, primarily due to our scientific management, standardization, affordable dining experiences, and proactive delivery business development. For the eight months ended August 31, 2024, our same store sales for *Xiaocaiyuan* restaurants decreased by 11.4% as compared to the same period in 2023, primarily due to the base effect from the post-pandemic surge in early 2023 and adjustments to menu prices. See "Financial Information – Major Factors Affecting Our Results of Operations – Same Store Sales Growth."

The table below sets forth our same store performance indicators for our *Xiaocaiyuan* restaurants during the periods indicated:

	For the year ended December 31,				For the eight months ended August 31,	
	2021	2022(1)	2022(1)	2023	2023	2024(1)
Number of same stores(2)						
First-tier cities	10		13		54	
New first-tier cities	66		86		95	
Second-tier cities	33		38		42	
Third-tier cities and below (including county-level cities and counties)	130		172		196	
Total	**239**		**309**		**387**	
Same store sales(3) (RMB in thousands)						
Same store sales from dine-in customers						
First-tier cities	77,237.4	52,056.3	64,775.5	92,303.4	263,512.6	213,840.7
New first-tier cities	501,890.5	417,767.1	524,119.5	631,251.4	476,087.5	370,523.4
Second-tier cities	280,771.3	222,742.2	232,695.8	277,269.1	221,188.9	186,768.2
Third-tier cities and below (including county-level cities and counties)	870,932.8	731,361.9	929,093.4	1,080,092.6	883,891.6	736,370.2
Subtotal	***1,730,832.0***	***1,423,927.5***	***1,750,684.2***	***2,080,916.5***	***1,844,680.6***	***1,507,502.5***
Same store sales from delivery business						
First-tier cities	18,111.3	37,499.9	45,406.3	49,140.8	158,010.3	156,210.9
New first-tier cities	121,741.8	241,250.6	299,924.1	365,043.2	257,216.6	256,616.5
Second-tier cities	50,308.9	102,033.0	110,593.3	137,695.1	98,042.7	101,823.8

	For the year ended December 31,				For the eight months ended August 31,	
	2021	2022[1]	2022[1]	2023	2023	2024[1]
Third-tier cities and below (including county-level cities and counties)	123,370.4	263,609.5	343,222.5	446,846.0	334,274.7	363,354.9
Subtotal	***313,532.4***	***644,393.0***	***799,146.2***	***998,725.1***	***847,544.3***	***878,006.1***
Total	**2,044,364.4**	**2,068,320.5**	**2,549,830.4**	**3,079,641.6**	**2,692,224.9**	**2,385,508.6**
Same store sales growth (%)						
Same store sales growth from dine-in customers						
First-tier cities	(32.6)		42.5		(18.8)	
New first-tier cities	(16.8)		20.4		(22.2)	
Second-tier cities	(20.7)		19.2		(15.6)	
Third-tier cities and below (including county-level cities and counties)	(16.0)		16.3		(16.7)	
Subtotal	***(17.7)***		***18.9***		***(18.3)***	
Same store sales growth from delivery business						
First-tier cities	107.1		8.2		(1.1)	
New first-tier cities	98.2		21.7		(0.2)	
Second-tier cities	102.8		24.5		3.9	
Third-tier cities and below (including county-level cities and counties)	113.7		30.2		8.7	
Subtotal	***105.5***		***25.0***		***3.6***	
Overall	**1.2**		**20.8**		**(11.4)**	

	For the year ended December 31,				For the eight months ended August 31,	
	2021	2022[1]	2022[1]	2023	2023	2024[1]
Average same store dine-in customers served per day[4]						
First-tier cities	318.5	236.8	227.0	305.3	300.9	261.3
New first-tier cities	306.8	255.7	250.4	299.4	308.4	269.5
Second-tier cities	349.3	290.7	263.1	304.6	324.1	302.6
Third-tier cities and below (including county-level cities and counties)	293.8	253.5	244.5	274.0	294.0	262.5
Overall	**306.1**	**258.6**	**247.7**	**286.2**	**301.8**	**268.4**
Average same store sales per day[5] (RMB)						
First-tier cities	26,715.8	27,829.8	26,684.8	29,834.2	32,224.1	28,091.7
New first-tier cities	26,452.0	28,290.1	27,191.7	31,822.4	31,895.3	27,170.1
Second-tier cities	27,779.8	28,379.5	26,127.5	30,247.4	31,300.3	28,265.6
Third-tier cities and below (including county-level cities and counties)	21,388.8	21,731.4	21,060.3	24,553.6	25,600.3	23,040.1
Overall	**23,896.7**	**24,698.7**	**23,612.6**	**27,507.6**	**28,684.9**	**25,324.9**
Same store daily sales per unit area[6] (RMB)						
First-tier cities	77.0	79.9	83.8	93.5	96.9	84.5
New first-tier cities	72.7	77.6	77.5	90.9	95.9	81.7
Second-tier cities	80.7	82.5	76.3	88.3	93.6	84.5
Third-tier cities and below (including county-level cities and counties)	56.7	57.6	57.9	67.5	71.4	64.3
Overall	**65.0**	**67.1**	**66.4**	**77.4**	**82.9**	**73.3**

	For the year ended December 31,				For the eight months ended August 31,	
	2021	2022(1)	2022(1)	2023	2023	2024(1)
Same store table turnover rate(7) (times/day)						
First-tier cities	3.6	2.7	2.7	3.5	3.4	3.0
New first-tier cities	3.4	2.9	2.9	3.4	3.5	3.1
Second-tier cities	4.0	3.4	3.1	3.5	3.8	3.6
Third-tier cities and below (including county-level cities and counties)	3.2	2.8	2.7	3.0	3.2	2.9
Overall	**3.4**	**2.9**	**2.8**	**3.2**	**3.4**	**3.1**

Notes:

(1) There were transformations of *Xiaocaiyuan* restaurants from *Fuxinglou* restaurants in December 2022 (initially opened in September 2021) and in June 2024 (initially opened in December 2020), respectively.

(2) The number of same stores between 2021 and 2022 is 239 and the number of same stores between 2022 and 2023 is 309, and as such, the same store data disclosed above for the year ended 31 December 2022 are different in two pairs of comparison.

(3) Same store sales refer to the aggregate restaurant revenue from our same stores, including revenue generated from restaurant operations and delivery business.

(4) Average same store dine-in customers served per day is calculated by dividing the total number of dine-in customers served at our same stores by the total restaurant operation days of our same stores for the period in the same tier cities.

(5) Average same store sales per day is calculated by dividing the aggregate restaurant revenue of our same stores, including revenue generated from restaurant operations and delivery business, by the total restaurant operation days of our same stores for the period in the same tier cities.

(6) Same store daily sales per unit area is calculated by dividing the aggregate restaurant revenue of our same stores, including revenue generated from restaurant operations and delivery business, by the product of total restaurant operation days and restaurant operation area in sq.m. of our same stores for the period in the same tier cities.

(7) Same store table turnover rate is calculated by dividing the aggregate number of orders placed by dine-in customers at our same stores by the product of total restaurant operation days and average table count of our same stores for the period in the same tier cities.

In 2021, 2022, 2023 and the eight months ended August 31, 2024, the number of our loss-making restaurants (excluding the restaurants closed in the year) was 63, 66, 66 and 56, with their total amount of operating losses of RMB15.8 million, RMB18.5 million, RMB13.3 million and RMB11.2 million, respectively. We take a restaurant as loss-making restaurant, if that restaurant records by-restaurant operating loss in each year or period during the Track Record Period. Those restaurants recorded by-restaurant operating loss primarily because of one or the combined effect of the following factors: (i) for each year or period during the Track Record Period, certain restaurants had not yet been opened for long enough to generate profit (i.e. the ones opened in the last two months in each year or period), (ii) the COVID-19 pandemic adversely affected the operating activities of certain restaurants in 2021 and 2022, and (iii) certain restaurants did not achieve sales in line with expectations.

Our Delivery Business

We operate our delivery business through major third-party online food delivery platforms in China. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our revenue generated from our delivery business at our *Xiaocaiyuan* restaurants was RMB409.5 million, RMB1,027.4 million, RMB1,486.7 million, RMB950.8 million and RMB1,307.2 million, respectively. For the same periods, the number of orders for our delivery business at our *Xiaocaiyuan* restaurants was 4.8 million, 13.8 million, 18.9 million, 11.8 million and 18.4 million, respectively, and our average spending per delivery order at our *Xiaocaiyuan* restaurants was RMB85.0, RMB74.5, RMB78.6, RMB80.9 and RMB71.2, respectively. See "Business – Our Delivery Business."

Our Community Catering Business

We recognized the significant potential of the extensive Chinese cuisine community catering market and started our exploration in this market around October 2023, launching *Caishou* brand for our community catering business. We seek to leverage our experience accumulated from the successful operation of *Xiaocaiyuan* restaurants, especially our operation and established supply chain network, to quickly establish the presence of community catering restaurants and refine its business model. See "Business – Our Community Catering Business."

OUR CUSTOMERS

As restaurant company, we have a large and fragmented customer base. We generally offer dishes directly to consumers through an extensive network of self-operation restaurants. The revenue we derived from our five largest customers in each year or period during the Track Record Period accounted for less than 1.0% of our total revenue in the respective periods. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned, or to the knowledge of Directors had owned, more than 5% of our issued share capital) had any interest in any of our five largest customers in each year or period during the Track Record Period.

SUPPLY CHAIN MANAGEMENT

We have established a comprehensive supply chain network, consisting of one central kitchen and 14 warehouses in China as of August 31, 2024. We also have an in-house transportation fleet over 200 vehicles to ensure effective delivery of supplies to each restaurant. Our self-built supply chain network empowers us to execute efficient cost control strategies primarily by procuring high-quality supplies at advantageous prices, enabling us to present our consumers delicious meals at affordable prices. The network of our central kitchen and warehouses enables us to ensure supply stability at our restaurants by stocking products in reserve and centralizing the procurement process. Each of our restaurants is able to realize stock replenishment on a daily basis.

The food ingredients we purchase primarily include the chicken, beef, pork, aquatic products, vegetables, rice and condiments. Our central kitchen helps our restaurants to operate more efficiently by saving their time and efforts in labor-intensive works, such as food ingredients cleaning and portioning, and condiment packets preparation. As certain complex and time-consuming procedures are performed by our central kitchen, our restaurants require less labor and a smaller number of restaurant frontline staff, and can prepare dishes more quickly with the pre-cleaned and pre-portioned food ingredients.

Purchases from our five largest suppliers in each year or period during the Track Record Period amounted to RMB199.5 million, RMB241.6 million, RMB253.9 million and RMB304.9 million and accounted for 24.9%, 19.5%, 15.9% and 24.6% of our total purchases for the respective periods, with the purchases from the largest supplier in each year or period during the Track Record Period contributing 7.8%, 5.4%, 4.7% and 8.0% during the same periods, respectively. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or, to the knowledge of the Directors, had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers in each year or period during the Track Record Period.

PROPERTIES

As of the Latest Practicable Date, we operated our business through 17 owned properties and 2,316 leased properties in China, which are primarily premises for our restaurants, central kitchen, warehouses, offices and employee dormitories.

Owned Properties

As of the Latest Practicable Date, we owned 17 properties with a total GFA of approximately 21,386.0 sq.m. in China, which are used as central kitchen, warehouses, offices and restaurant sites. We have obtained the relevant land use right certificates and ownership certificates for all of our owned properties.

Leased Properties

As of the Latest Practicable Date, we leased 2,316 properties with a total GFA of approximately 414,422.9 sq.m. in China, which are used as restaurant sites, warehouses, offices and employee dormitories.

The following table sets forth a breakdown of the number of leases by remaining term as of the Latest Practicable Date:

Remaining term	Number of leases
Less than one year	1,677
One to two years	116
Two to five years	381
More than five years	142

COMPETITION

The Chinese cuisine market in China is intensely competitive with respect to food quality and its consistency, price, ambience and service, stable supply of high-quality food ingredients and availability of qualified employees. According to Frost & Sullivan, the market size of China's catering market showed a growing trend during the past five years from RMB4,271.6 billion in 2018 to RMB5,289.0 billion in 2023, representing a CAGR of approximately 4.4% from 2018 to 2023. It is expected to further reach RMB8,262.7 billion in 2028 at a CAGR of approximately 9.3% from 2023 to 2028. We operate in the mass Chinese cuisine market adopting a self-operation model. Key entry barriers in the mass Chinese cuisine market include brand awareness, supply chain management, food safety compliance and innovation and technology investment. According to Frost & Sullivan, in terms of the restaurant revenue for 2023, Xiaocaiyuan ranked first among all brands in China's mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100. See "Industry Overview – Competitive Landscape."

COMPETITIVE STRENGTHS

We believe that the following strengths help us to become one of the renowned self-operated chain restaurants in China's mass Chinese cuisine market:

- one of the renowned self-operated chain restaurants in the growing mass Chinese cuisine market, favorably positioned to capture future market opportunities;
- robust operational and financial performance;
- standardized systems for operation and management;
- dedication to improve our operating capability leveraging on the application of information technologies;
- compelling and stable supply chain management strongly supporting our sustainable development and consistent quality control;
- offering benefits to consumers with affordable dishes; and
- experienced management team and scientific incentive mechanism laying down the foundation for our rapid growth.

DEVELOPMENT STRATEGIES

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

- continue to enhance our business intelligence system based on data insight;
- continue to strengthen and upgrade our supply chain management system;
- continue to enhance talent management system, accumulating strength for future sustainable development;
- strategically expand our restaurant network, achieving a broader coverage and deeper market penetration; and
- continue our expansion and exploration in the Chinese cuisine community catering market.

RISK FACTORS

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

- our business depends significantly on the market recognition of our *Xiaocaiyuan* brand, and if we are not able to maintain or enhance the image of our *Xiaocaiyuan* brand recognition, our business, financial condition and results of operations may be materially and adversely affected;
- we have in recent years experienced rapid expansion, which may lead to increasing risks and uncertainties, and our evolving operation system may not be effective to address such risks and uncertainties;
- we may not be able to maintain and increase the sales and profitability of our existing restaurants, and our future growth also depends on our ability to open and profitably operate in existing and new geographical markets;
- increases in the cost of food ingredients used in our restaurants and other associated costs as a result of market forces may lead to declines in our margins and operating results;
- if we cannot obtain desirable restaurant sites or secure the renewal of existing leases on commercially reasonable terms, or our current restaurant sites are affected by other unfavourable factors beyond our control, our business, results of operations and ability to implement our growth strategy may be materially and adversely affected;
- if the quality of our offerings or dining experiences declines, our restaurants may not continue to be successful;
- we may be unable to continue to successfully develop our new brands;
- failures to meet food safety and hygiene standards could have a material and adverse effect on our reputation, financial conditions and results of operations; and
- intense competition in China's catering industry could prevent us from increasing or sustaining our revenue and profitability.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

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

Summary of Consolidated Statements of Profit or Loss

	Year ended December 31,			Eight months ended August 31,	
	2021	2022	2023	2023	2024
			(RMB'000)		
				(Unaudited)	
Revenue	2,645,773	3,213,420	4,549,415	3,070,327	3,543,998
Other revenue	10,415	28,456	43,811	21,579	29,373
Raw materials and consumables used	(913,044)	(1,087,918)	(1,433,379)	(959,122)	(1,140,473)
Staff costs	(831,957)	(969,912)	(1,334,181)	(897,632)	(980,874)
Depreciation of right-of-use-assets	(146,424)	(172,306)	(196,270)	(122,031)	(168,139)
Other rentals and related expenses	(51,198)	(57,418)	(58,525)	(34,990)	(63,137)
Depreciation and amortization of other assets	(93,956)	(114,317)	(133,947)	(85,448)	(113,278)
Utility expenses	(74,419)	(102,749)	(139,602)	(91,855)	(115,474)
Advertising and promotion expenses	(8,199)	(27,048)	(48,270)	(31,857)	(43,456)
Delivery service expenses	(73,650)	(185,387)	(257,886)	(166,656)	(231,084)
Other expenses	(130,772)	(148,365)	(210,575)	(124,738)	(167,722)
Other net income/(losses)	772	1,640	(4,918)	(2,156)	19,392
Finance costs	(24,295)	(28,321)	(31,554)	(21,910)	(27,093)
Profit before taxation	**309,046**	**349,775**	**744,119**	**553,511**	**542,033**
Income tax	(81,927)	(112,201)	(212,060)	(158,678)	(141,402)
Profit for the year/period	**227,119**	**237,574**	**532,059**	**394,833**	**400,631**
Attributable to:					
Equity shareholders of the Company	227,119	237,574	532,059	394,833	400,631

Non-IFRS measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS.

We believe these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

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

We define adjusted net profit (non-IFRS measure) as net profit for the year/period adjusted by adding (i) equity-settled share-based payment expenses, (ii) changes in fair value of the convertible bonds and derivative financial instruments, (iii) changes in carrying amount of the redemption liability and (iv) listing expenses. We then add back (i) income tax, (ii) net finance costs, and (iii) depreciation and amortization of other assets to derive adjusted EBITDA (non-IFRS measure).

The following table sets out a reconciliation from net profit to adjusted net profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) for the year/period indicated:

	Year ended December 31,			Eight months ended August 31,	
	2021	**2022**	**2023**	**2023**	**2024**
			(RMB'000)		
				(Unaudited)	
Reconciliation of net profit to adjusted net profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure)					
Net profit	**227,119**	**237,574**	**532,059**	**394,833**	**400,631**
Add:					
Equity-settled share-based payment expenses(1)	6,451	–	–	–	–
Changes in fair value of the convertible bonds and derivative financial instruments(2)	–	–	3,733	4,141	(46,437)
Changes in carrying amount of the redemption liability(2)	–	–	1,699	–	26,148
Listing expenses(3)	–	–	8,493	–	11,959
Adjusted net profit (non-IFRS measure)	**233,570**	**237,574**	**545,984**	**398,974**	**392,301**
Add:					
Income tax	81,927	112,201	212,060	158,678	141,402
Net finance costs(4)	23,060	26,620	22,532	17,463	10,331
Depreciation and amortization of other assets(5)	93,956	114,317	133,947	85,448	113,278
Adjusted EBITDA (non-IFRS measure)	**432,513**	**490,712**	**914,523**	**660,563**	**657,312**

Notes:

(1) Non-cash expenses arising from shares granted to selected employees. See Note 23 to the Accountant's Report in Appendix I to this Prospectus for details.

(2) Changes in fair value of the convertible bonds and derivative financial instruments and changes in carrying amount of the redemption liability represent the change in the amount of the financial instruments issued to Harvest Delicacy in 2023 and 2024. Such change is non-cash in nature. Upon completion of the Global Offering, the financial instruments will be automatically converted into ordinary shares which will no longer be recognized as financial liabilities in the consolidated statements of financial position.

(3) Listing expenses are expenses related to the Global Offering.

(4) Net finance costs represent finance costs less interest income on bank deposits and rental deposits.

(5) The amount of depreciation and amortization presented represents the depreciation of plant and equipment and the amortization of intangible asset and does not include depreciation of right-of-use assets which approximates the rental expense of capitalized lease contracts.

Net Profit

From 2021 to 2022, our net profit increased by 4.6% from RMB227.1 million to RMB237.6 million, primarily because (i) we consistently expanded our restaurant network by taking advantage of our standardization management and our strong execution capabilities, (ii) we proactively expanded our delivery business by designing, updating and diversifying our menu for delivery scenarios and improving our service capabilities to meet consumers' rising demand for food delivery services.

From 2022 to 2023, our net profit increased by 124.0% from RMB237.6 million to RMB532.1 million, primarily due to (i) the expansion of our restaurant network by taking advantage of our standardization management and our strong execution capabilities, (ii) the strong performance of our restaurant operations as a result of our enhanced service capabilities and our increasing popularity and recognition in the market, our dedication to designing, updating and diversifying our menu items, and recovery of our dine-in customer traffic following the gradual phasing-out of the COVID-19 pandemic since early 2023, and (iii) the robust growth of our delivery business as a result of introduction of more innovative and diversified menu items and combos to satisfy different consumers' food consumption habits and preferences based on consumer data analysis empowered by our enhanced digitalization capabilities and increased promotional activities.

Our net profit remained stable at RMB394.8 million for the eight months ended August 31, 2023 and RMB400.6 million for the eight months ended August 31, 2024.

Revenue

The following table sets out a breakdown of our revenue by business line for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2021		2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*Unaudited*)	*%*	*RMB'000*	*%*
Restaurant operations	2,235,184	84.5	2,183,409	68.0	3,051,094	67.1	2,112,683	68.8	2,222,341	62.7
Delivery business	409,518	15.5	1,029,539	32.0	1,491,354	32.8	953,346	31.1	1,313,025	37.0
Others[(1)]	1,071	0.0	472	0.0	6,967	0.1	4,298	0.1	8,632	0.3
Total	**2,645,773**	**100.0**	**3,213,420**	**100.0**	**4,549,415**	**100.0**	**3,070,327**	**100.0**	**3,543,998**	**100.0**

Note:

(1) Others mainly represented revenue generated from (i) sales of food ingredients, (ii) commissions received from a portable charger solution provider and (iii) new retail business.

Summary of Selected Items of Financial Position

	As of December 31,			As of August 31,
	2021	2022	2023	2024
		(RMB'000)		
Total current assets	229,591	351,211	1,020,188	1,157,985
Total non-current assets	970,336	951,925	1,319,889	1,548,036
Total current liabilities	697,708	582,688	661,034	654,379
Total non-current liabilities	399,713	395,558	1,055,951	1,238,923
Net current (liabilities)/assets	(468,117)	(231,477)	359,154	503,606
Net assets	102,506	324,890	623,092	812,719

Net Assets

Our net assets increased from RMB102.5 million as of December 31, 2021 to RMB324.9 million as of December 31, 2022, primarily attributable to profit for 2022 of RMB237.6 million, partially offset by other distribution of RMB15.2 million.

Our net assets increased from RMB324.9 million as of December 31, 2022 to RMB623.1 million as of December 31, 2023, primarily attributable to profit for 2023 of RMB532.1 million, partially offset by dividends declared of RMB135.3 million and the change in reserves in relation to the financial instruments issued to an investor of RMB97.1 million.

Our net assets increased from RMB623.1 million as of December 31, 2023 to RMB812.7 million as of August 31, 2024, primarily attributable to net profit for the eight months ended August 31, 2024 of RMB400.6 million, partially offset by dividends declared of RMB187.5 million and the change in reserves in relation to the financial instruments issued to an investor of RMB24.5 million.

Net Current (Liabilities)/Assets

Our net current assets increased from RMB359.2 million as of December 31, 2023 to RMB503.6 million as of August 31, 2024, primarily attributable to (i) an increase in financial assets at FVPL resulting from our purchase of wealth management products in 2024 and (ii) a decrease in bank loans and other borrowings resulting from our repayment of bank loans, partially offset by a decrease in trade and other receivables resulting from (a) a decrease in prepayments because we recorded relatively higher amount of prepayment as of December 31, 2023 resulting from the prepayments we made to several key suppliers for food ingredient procurement at the end of 2023 in preparation for the Chinese New Year and (b) a decrease in other receivables and deposits because we recorded RMB12.1 million of other receivables as of December 31, 2023 in relation to security deposits for land auction for our new central kitchen in Ma'anshan, which was reclassified as right-of-use assets following our successful bid in January 2024.

We recorded net current assets of RMB359.2 million as of December 31, 2023 as compared to net current liabilities of RMB231.5 million as of December 31, 2022, primarily attributable to (i) an increase in cash and cash equivalents in relation to the proceeds from the Pre-IPO Investments and cash generated from operating activities, (ii) an increase in trade and other receivables as a result of an increase in prepayments for rental and property management expenses, utilities expenses and food ingredient procurement as a result of an increase in the number of our restaurants and (iii) a decrease in bank loans and other borrowings because we repaid certain loans in 2023 in light of our sufficient working capital generated from our operations, partially offset by an increase in trade and other payables as a result of an increase in other payables and accrued charges due to an increase in payables relating to restaurant renovations in line with the expansion of our restaurant network, an increase in trade payables to our food ingredient suppliers in line with our business expansion and an increase in staff cost payable due to an increase in the number of our employees.

Our net current liabilities decreased from RMB468.1 million as of December 31, 2021 to RMB231.5 million as of December 31, 2022, primarily due to (i) a decrease in dividend payable because we declared dividends of RMB150.0 million in 2021 and settled such dividends in 2022, (ii) an increase in trade and other receivables as a result of an increase in our rental deposits for our restaurants and employee dormitories in line with the expansion of our restaurant network and an increase in security deposits paid to our suppliers, and (iii) an increase in cash and cash equivalents as a result of our revenue growth, partially offset by an increase in bank loans and other borrowings as a result of our business expansion.

Summary of Consolidated Cash Flow Statements

	Year ended December 31,			Eight months ended August 31,	
	2021	2022	2023	2023	2024
			(RMB'000)	*(Unaudited)*	
Net cash generated from operating activities	321,156	434,132	866,339	691,133	695,484
Net cash used in investing activities	(190,115)	(79,814)	(295,735)	(291,729)	(456,244)
Net cash used in financing activities	(117,712)	(311,688)	(14,132)	(129,900)	(263,549)
Net increase/(decrease) in cash and cash equivalents	13,329	42,630	556,472	269,504	(24,309)
Cash and cash equivalents at the beginning of the period	7,042	20,371	63,001	63,001	620,153
Effect of foreign exchange rate changes	–	–	680	672	437
Cash and cash equivalents at the end of the period	**20,371**	**63,001**	**620,153**	**333,177**	**596,281**

Key Financial Ratios

	As of December 31,			As of August 31,
	2021	2022	2023	2024
Current ratio[(1)]	0.3	0.6	1.5	1.8
Quick ratio[(2)]	0.2	0.5	1.4	1.6
Gearing ratio (%)[(3)]	38.5	34.9	8.0	3.7

Notes:

(1) Current ratio is calculated by dividing current assets by current liabilities.

(2) Quick ratio is calculated by dividing current assets less inventories by current liabilities.

(3) Gearing ratio equals bank loans and other borrowings divided by total equity and multiplied by 100%.

IMPACT OF COVID-19 OUTBREAK

During the Track Record Period, the COVID-19 pandemic caused a decline in social networking and business activities, which in turn had adverse impacts on China's catering industry as well as our business expansion, operational results and financial performance. During the pandemic, our restaurants experienced reduced customer traffic, temporary closures and reduced operating hours. We also experienced a slowdown in the expansion of our restaurant network in light of the resurgence of COVID-19 outbreaks in 2022.

Despite the challenges brought by the COVID-19, our business showed resilience and maintained an upward trend from 2021 to 2023. We have taken a broad range of measures to minimize the negative impact of the COVID-19 pandemic, including (i) consistently expanding our restaurant network by leveraging our strong execution capabilities and taking advantage of the standardization of our management systems and the effective application of information technology, (ii) enhancing our service capabilities and broadening our offerings such as group-buying food delivery services for local communities, (iii) staying nimble to the pandemic control measures to resume restaurant operations through the implementation of flexible working hours and (iv) proactively expanding our delivery business by designing, updating and diversifying our menu items for delivery scenarios and improving our service capabilities to meet increasing consumer demand for food delivery services. We believe that the COVID-19 pandemic did not have a material adverse effect on our business operations or financial performance. For further information, see "Financial Information – Impact of COVID-19 Outbreak."

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Wang, our founder, chairman of the Board, executive Director and general manager, is able to control the voting rights of approximately 92.99% of the issued share capital of our Company through seven shareholding platforms, including XCY Yongqing Limited, XCY Xuyuan Limited, XCY Zhiyuan Limited, XCY Huiming Limited, XCY Weiyuan Limited, XCY Liyuan Limited and XCY Future Limited (collectively, the "**BVI Entities**"), holding 39.96%, 25.61%, 6.48%, 5.21%, 2.50%, 1.91% and 11.32% of the issued share capital of our Company, respectively. Mr. Wang is the sole director of each of the BVI Entities and therefore is able to control their respective voting rights. Immediately following the completion of the Global Offering (assuming the Over- allotment Option is not exercised), Mr. Wang will be able to control the voting rights of approximately 85.00% of the issued share capital of our Company through the BVI Entities. As such, Mr. Wang and the BVI Entities constitute Controlling Shareholders of our Company upon completion of the Global Offering.

In addition, Mr. Wang and the Other Individual Shareholders, namely Mr. Li Daoqing, Mr. Tian Chunyong, Mr. Zhou Bin, Mr. Tao Xu'an, Mr. Ye Hongli, Mr. Fang Zhiguo, Ms. Wang Weifang and Mr. Chen Haiyan, held 29.26%, 9.84%, 9.84%, 9.84%, 9.84%, 8.51%, 8.51%, 7.18% and 7.18% of the equity interests in XCY Yongqing Limited, respectively. Since the incorporation of our Company in 2021, Mr. Wang and the Other Individual Shareholders have been acting in concert by aligning their votes of XCY Yongqing Limited. On October 10, 2023, Mr. Wang entered into the Acting in Concert Agreement with the Other Individual Shareholders, pursuant to which they confirmed that they have been acting in concert since the incorporation of our Company in 2021 and will continue to act in concert by aligning their votes of XCY Yongqing Limited, and that the Other Individual Shareholders will follow Mr. Wang's decisions in relation to the exercise of the voting rights by XCY Yongqing Limited. In light of above, each of the Other Individual Shareholders also constitutes a Controlling Shareholder of the Company upon completion of the Global Offering.

As such, Mr. Wang, the BVI Entities and the Other Individual Shareholders constitute a group of Controlling Shareholders of our Company. See "Relationship with Our Controlling Shareholders" for further details.

OUR PRE-IPO INVESTORS

We have engaged in Pre-IPO Investments with our Pre-IPO Investors. For further details of the identity and background of the Pre-IPO Investors and the principal terms of the Pre-IPO Investments, please see "History, Reorganization and Corporate Structure – Pre-IPO Investments" in this prospectus.

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may become a party to various legal or administrative proceedings arising in the ordinary course of our business, including actions with respect to intellectual property infringement actions by third parties and labor and employment claims. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any legal, arbitral or administrative proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material and adverse effect on our business, financial condition or results of operations.

See "Business – Legal Proceedings and Compliance" for more information. For more information about the laws and regulations that we are subject to, see "Regulatory Overview".

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Regulatory Developments

Regulations on Overseas Securities Offering and Listing

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five ancillary interpretive guidelines (collectively, the "**Overseas Listing Trial Measures**"), which came into effect on March 31, 2023. As advised by our PRC Legal Advisor, the Global Offering is determined as an indirect overseas offering or listing that requires filing with the CSRC under the Overseas Listing Trial Measures. Subject to the Overseas Listing Trial Measures, we are required to go through the filing procedures with the CSRC after the submission of our application for the initial public offering to the Stock Exchange and to obtain the CSRC notification of filing completion with respect to the Listing. We submitted the filing application to the CSRC on January 18, 2024 for the Global Offering and the listing of the Shares on the Stock Exchange, and the CSRC issued a notification on our completion of the PRC filing procedures for the listing of our Shares on the Stock Exchange and the Global Offering on August 23, 2024. Please see the section headed "Regulatory Overview – Regulations on Overseas Securities Offering and Listing" in this Prospectus for further details.

No Material Adverse Change

The total number of our self-operated restaurants increased from 278 at the beginning of the Track Record Period to 663 as of the Latest Practicable Date, consisting of 658 *Xiaocaiyuan* restaurants and five restaurants under other brands with a coverage of 146 cities or counties across 14 provinces in China. As of the same date, we had approximately 8.3 million registered members in our membership system. Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since August 31, 2024, being the end date of our latest consolidated financial statements, and there has been no event since August 31, 2024 that would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

Based on an Offer Price of HK$8.50 per Offer Share, we estimate that we will receive net proceeds of approximately HK$784.0 million from the Global Offering after deducting the underwriting commission and other estimated expenses in connection with the Global Offering, assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use the proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 40.0%, or HK$313.6 million, is expected to be used in the expansion of our restaurant network to broaden our geographical coverage and deepen our market penetration;
- approximately 37.0%, or HK$290.1 million, is expected to be used to strengthen our supply chain capabilities;
- approximately 13.0%, or HK$101.9 million, is expected to be used to promote our information technology capabilities through upgrading our smart devices and digital systems; and
- approximately 10.0%, or HK$78.4 million, is expected to be used for working capital and general corporate purposes.

See "Future Plans and Use of Proceeds" for details.

DIVIDEND

In 2021, we declared dividends of RMB150.0 million and settled such dividends in 2022, and in 2023, we declared dividends of RMB135.3 million and settled such dividends in the same period, all of which were paid in cash. In the eight months ended August 31, 2024, we declared dividends of RMB187.5 million and settled such dividends during the same period. No other dividend was paid or declared by our Company or other entities comprising our Group during the Track Record Period. We do not have any dividend policy.

OFFERING STATISTICS

	Based on an Offer Price of HK$8.50 per Offer Share
Market capitalization(1)	HK$10,000 million
Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share(2)	HK$1.98

Notes:

(1) The calculation of the market capitalization is based on 1,176,518,800 Shares expected to be in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(2) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share has been arrived at after adjustments referred to "Appendix II – Unaudited Pro Forma Financial Information" to this Prospectus and on the basis that 1,176,518,800 Shares were in issue immediately following completion of the Share Subdivision and Global Offering, assuming that the Share Subdivision and Global Offering had been completed on August 31, 2024 without taking into account of the Shares which may be issued upon exercise of the Over-allotment Option.

LISTING EXPENSES

Based on an Offer Price of HK$8.50 per Share (assuming that the Over-allotment Option is not exercised), the estimated total listing expenses relating to the Global Offering are estimated to amount in aggregate to approximately HK$76.0 million, accounting for 8.8% of the gross proceeds from the Global Offering, of which approximately HK$49.6 million has been or is expected to be charged to profit and loss, and approximately HK$26.4 million is expected to be directly attributable to the offering and listing of our Offer Shares and will be deducted from equity upon the Listing. By nature, our expected listing expenses are composed of (i) underwriting-related expenses of approximately HK$22.0 million, and (ii) fees and expenses for legal advisors and Reporting Accountants of approximately HK$30.0 million and other fees and expenses of approximately HK$24.0 million. We did not recognize any listing expenses in 2021 and 2022. In 2023 and the eight months ended August 31, 2024, we recognized listing expenses of HK$9.3 million and HK$13.1 million in our consolidated statements of profit or loss and other comprehensive income.

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

"%"	per cent
"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"AFRCO"	The Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Anhui Fengyuan"	Anhui Fengyuan Food Co., Ltd. (安徽豐園食品有限公司), a limited liability company incorporated under the laws of the PRC on October 31, 2022 and a wholly owned subsidiary of the Company
"Anhui Guandi"	Anhui Guandi Catering Management Co., Ltd. (安徽觀邸餐飲管理有限責任公司), a limited liability company incorporated under the laws of the PRC on June 13, 2017 and a wholly owned subsidiary of the Company
"Anhui Shangweitang"	Anhui Shangweitang Catering Management Co., Ltd. (安徽尚味堂餐飲管理有限公司), a limited liability company incorporated under the laws of the PRC on July 4, 2019 and a wholly owned subsidiary of the Company
"Anhui Shangyuan"	Anhui Shangyuan Catering Service Co., Ltd. (安徽尚園餐飲服務有限公司), a limited liability company incorporated under the laws of the PRC on October 31, 2022 and a wholly owned subsidiary of the Company
"Articles of Association" or "Articles"	the second amended and restated articles of association of our Company adopted by special resolution on December 2, 2024 with effect from the Listing, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in "Appendix III – Summary of the Constitution of our Company and the Cayman Companies Act"
"associate(s)"	has the meaning ascribed to it under the Listing Rules

"Audit Committee"	the audit committee of our Board
"Beijing Xiaocaiyuan"	Beijing Xiaocaiyuan Catering Management Co., Ltd. (北京小菜園餐飲管理有限責任公司), a limited liability company incorporated under the laws of the PRC on December 1, 2016 and a wholly owned subsidiary of the Company
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal business to the public
"BVI"	the British Virgin Islands
"BVI Entities"	XCY Yongqing Limited, XCY Xuyuan Limited, XCY Zhiyuan Limited, XCY Huiming Limited, XCY Weiyuan Limited, XCY Liyuan Limited and XCY Future Limited
"*Caishou*"	Caishou (菜手), one of our restaurant brands
"Capital Market Intermediaries"	the capital market intermediaries as named in "Directors and Parties Involved in the Global Offering"
"Cayman Companies Act"	the Companies Act (Revised) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended, supplemented or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China", "Mainland China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to "China", "Mainland China" or the "PRC" do not apply to Hong Kong, Macau Special Administrative Region and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company", "our Company" or "the Company"	Xiaocaiyuan International Holding Ltd. (小菜園國際控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on October 19, 2021
"Compliance Advisor"	Altus Capital Limited
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, shall mean Mr. Wang, the Other Individual Shareholders and the BVI Entities
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Dianping"	Dianping.com
"Director(s)" or "our Director(s)"	the director(s) of our Company
"EIT Law"	Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
"ESG Advisor"	SWCS Corporate Services Group (Hong Kong) Limited
"Exchange Participant"	a person (a) who, in accordance with the Rules of the Hong Kong Stock Exchange, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below

"FINI"	"Fast Interface for New Issuance", an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
"First Round Preferred Shares"	the first round preferred shares of our Company with par value of US$1 each issued to Harvest Delicacy pursuant to the First Round Preferred Shares Agreement
"First Series Convertible Bonds"	the convertible bonds issued by our Company pursuant to the First Series Convertible Bonds Agreements
"founder"	Mr. Wang
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Frost & Sullivan Report"	the report commissioned by our Company and independently prepared by Frost & Sullivan, a summary of which is set out in "Industry Overview"
"*Fuxinglou*"	Fuxinglou (復興樓), one of our restaurant brands
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "our Group", "we" or "us"	our Company and our subsidiaries
"*Guandi*"	Guandi (觀邸), one of our restaurant brands
"Hangzhou Xiaocaiyuan"	Hangzhou Xiaocaiyuan Catering Management Co., Ltd. (杭州小菜園餐飲管理有限責任公司), a limited liability company incorporated under the laws of the PRC on November 7, 2019 and a wholly owned subsidiary of the Company
"Harvest Delicacy"	Harvest Delicacy Infinite Corporation, a limited liability company incorporated under the laws of BVI on October 28, 2022 and one of our Pre-IPO Investors
"HK$" or "Hong Kong dollar"	Hong Kong dollars, the lawful currency of Hong Kong
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.hkeipo.hk**

"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified on the designated website at **www.hkeipo.hk**
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"**HKSCC EIPO**"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your **broker** or **custodian** who is an HKSCC Participant to give electronic application instructions via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSCC Operational Procedures"	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"Hongjingxuan Supply Chain"	Anhui Hongjingxuan Supply Chain Management Co., Ltd. (安徽泓璟宣供應鏈管理有限公司), a limited liability company incorporated under the laws of the PRC on October 30, 2019 and was deregistered on September 20, 2023
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	10,118,400 Shares (subject to reallocation as described in "Structure of the Global Offering") initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering

"Hong Kong Public Offering"	the offering of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee), on and subject to the terms and conditions described in "Structure of the Global Offering – The Hong Kong Public Offering"
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters listed in "Underwriting – Hong Kong Underwriters", being the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the underwriting agreement dated December 11, 2024 relating to the Hong Kong Public Offering entered into by, among others, our Company, the Joint Sponsors, the Overall Coordinators and the Hong Kong Underwriters, as further described in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement"
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board
"Independent Third Party(ies)"	entity(ies) or person(s) who is/are not connected person(s) of our Company
"International Offer Shares"	91,062,400 Shares (subject to reallocation and the exercise of the Over-allotment Option as described in "Structure of the Global Offering") initially offered by our Company pursuant to the International Offering
"International Offering"	the conditional placing of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in reliance on Regulation S, on and subject to the terms and conditions of the International Underwriting Agreement, as further described in "Structure of the Global Offering – The International Offering"
"International Underwriters"	the international underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering

"International Underwriting Agreement"	the underwriting agreement relating to the International Offering expected to be entered into on or about December 18, 2024 by, among others, our Company, the Overall Coordinators and the International Underwriters, as further described in "Underwriting – International Offering"
"Jinan Caicaiyuanyuan"	Jinan Caicaiyuanyuan Catering Management Co, Ltd. (濟南菜菜園園餐飲管理有限公司), a limited liability company incorporated under the laws of the PRC on August 10, 2023 and a wholly owned subsidiary of the Company
"Joint Bookrunners"	the joint bookrunners as named in "Directors and Parties Involved in the Global Offering"
"Joint Global Coordinators"	the joint global coordinators as named in "Directors and Parties Involved in the Global Offering"
"Joint Lead Managers"	the joint lead managers as named in "Directors and Parties Involved in the Global Offering"
"Joint Sponsors"	the joint sponsors as named in "Directors and Parties Involved in the Global Offering"
"Latest Practicable Date"	December 5, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	the date expected to be on or about December 20, 2024 on which the Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"M&A Rules"	the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) jointly issued by MOFCOM, SASAC, SAT, CSRC, SAMR and SAFE, as amended, supplemented or otherwise modified from time to time
"Ma'anshan Supply Chain"	Xiaocaiyuan (Ma'anshan) Supply Chain Co., Ltd. (小菜園(馬鞍山)供應鏈有限公司), a limited liability company incorporated under the laws of the PRC on November 7, 2023 and a wholly owned subsidiary of the Company

"Ma'anshan Xiaocaiyuan"	Xiaocaiyuan (Ma'anshan) Catering Management Co., Ltd. (小菜園(馬鞍山)餐飲管理有限公司), a limited liability company incorporated under the laws of the PRC on November 6, 2023 and a wholly owned subsidiary of the Company
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
"Meituan"	Meituan.com, formerly known as Meituan-Dianping
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Wang"	Mr. Wang Shugao (汪書高), our founder, executive Director, the chairman of the Board, general manager and one of our Controlling Shareholders
"Nanchang Xiaocaiyuan"	Nanchang Xiaocaiyuan Catering Management Co., Ltd. (南昌小菜園餐飲管理有限公司), a limited liability company incorporated under the laws of the PRC on August 14, 2023 and a wholly owned subsidiary of the Company
"Nanjing Caishou"	Nanjing Caishou Catering Management Co., Ltd. (南京菜手餐飲管理有限公司), a limited liability company incorporated under the laws of the PRC on August 10, 2023 and a wholly owned subsidiary of the Company
"Nanjing Xiaocaiyuan"	Xiaocaiyuan Nanjing Catering Management Co., Ltd. (小菜園南京餐飲管理有限責任公司), a limited liability company incorporated under the laws of the PRC on July 30, 2020 and a wholly owned subsidiary of the Company
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of our Board
"Offer Price"	the offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565%) at which the Offer Shares are to be subscribed for or purchased pursuant to the Global Offering, as described in "Structure of the Global Offering – Pricing and Allocation"

"Offer Share(s)"	the Hong Kong Offer Share(s) and/or the International Offer Share(s), as the context may require
"Ordinary Share(s)" or "Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of US$1 and will be subdivided to a nominal value of US$0.00001 immediately prior to the Listing
"Other Individual Shareholders"	Mr. Li Daoqing, Mr. Tian Chunyong, Mr. Zhou Bin, Mr. Tao Xu'an, Mr. Ye Hongli, Mr. Fang Zhiguo, Ms. Wang Weifang and Mr. Chen Haiyan
"Over-allotment Option"	the option granted by our Company to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, to require our Company to allot and issue up to an aggregate of 15,176,800 additional Shares at the Offer Price, representing approximately 15% of the Offer Shares initially available under the Global Offering, to, among other things, cover over-allocations in the International Offering, the details of which are set out in "Structure of the Global Offering – Over-allotment Option"
"Overall Coordinators"	the overall coordinators as named in "Directors and Parties Involved in the Global Offering"
"PRC Legal Advisor"	Tian Yuan Law Firm, our legal advisor as to PRC laws
"Preferred Share(s)"	the preferred share(s) of our Company with a par value of US$1 each, including the First Round Preferred Shares and the Second Round Preferred Shares, which will be automatically converted into ordinary shares based on a conversion ratio of one preferred share to one ordinary share upon completion of the Global Offering
"Pre-IPO Investments"	the Pre-IPO investments in our Company undertaken by the Pre-IPO Investors, details of which are set out in the section headed "History, Reorganization and Corporate Structure" in this prospectus
"Principal Share Registrar"	Harneys Fiduciary (Cayman) Limited

"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Reorganization"	the offshore and onshore reorganization as set out in section headed "History, Reorganization and Corporate Structure – Reorganization" in this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SAFE Circular 37"	the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) issued by SAFE
"SAMR"	State Administration for Market Regulation of the PRC (中國國家市場監督管理總局) (formerly known as State Administration for Industry and Commerce of the PRC (中國國家工商行政管理總局) ("**SAIC**"))
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation of the PRC (中國國家稅務總局)
"Second Round Preferred Shares"	the second round preferred shares of our Company with par value of US$1 each issued to Harvest Delicacy pursuant to the Second Round Preferred Shares Agreement
"Second Series Convertible Bonds"	the convertible bonds to be issued by the Company pursuant to the Second Series Convertible Bonds Agreements and was subsequently canceled
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share Subdivision"	the subdivision of the Company's each issued and unissued authorized Shares with nominal value of US$1 each into 5,000,000,000 Shares with nominal value of US$0.00001 each immediately prior to the Listing
"Shareholder(s)"	holder(s) of the Share(s)
"Shanghai Jiangxiaowan"	Jiangxiaowan (Shanghai) Catering Management Service Co., Ltd. (江小皖(上海)餐飲管理服務有限公司), a limited liability company incorporated under the laws of the PRC on June 26, 2023 and a wholly owned subsidiary of the Company
"Shanghai Xiaocaiyuan"	Xiaocaiyuan (Shanghai) Catering Management Co., Ltd. (小菜園(上海)餐飲管理有限公司), a limited liability company incorporated under the laws of the PRC on November 30, 2020 and a wholly owned subsidiary of the Company
"Stabilizing Manager"	UBS AG Hong Kong Branch
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Suzhou Xiaocaiyuan"	Xiaocaiyuan (Suzhou) Catering Management Co., Ltd. (小菜園(蘇州)餐飲管理有限公司), a limited liability company incorporated under the laws of the PRC on September 11, 2020 and a wholly owned subsidiary of the Company
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the years ended December 31, 2021, 2022 and 2023 and the eight months ended August 31, 2024
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US$" or "U.S. dollar"	United States dollar, the lawful currency of the United States

"U.S." or "United States"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"Warranting Shareholders"	Mr. Wang and BVI Entities
"Wuhan Xiaocaiyuan"	Wuhan Xiaocaiyuan Catering Management Co., Ltd. (武漢小菜園餐飲管理有限責任公司), a limited liability company incorporated under the laws of the PRC on July 29, 2020 and a wholly owned subsidiary of the Company
"*Xiaocaiyuan*"	Xiaocaiyuan (小菜園), one of our restaurant brands
"Xiaocaiyuan Catering"	Anhui Xiaocaiyuan Catering Management Co., Ltd. (安徽小菜園餐飲管理有限責任公司), a limited liability company incorporated under the laws of the PRC on June 9, 2013 and a wholly owned subsidiary of the Company
"Xiaocaiyuan Catering Holdings"	Anhui Xiaocaiyuan Catering Holdings Co., Ltd. (安徽小菜園餐飲控股有限公司), a limited liability company incorporated under the laws of the PRC on December 9, 2021 and a wholly owned subsidiary of the Company
"Xiaocaiyuan HK"	Xiaocaiyuan HK Holding Limited, a company incorporated under the laws of Hong Kong on November 24, 2021 and a wholly owned subsidiary of the Company
"Xiaocaiyuan Holdings"	Anhui Xiaocaiyuan Holdings Co., Ltd. (安徽小菜園控股有限公司), a limited liability company incorporated under the laws of the PRC on December 2, 2020
"Xiaocaiyuan Supply Chain"	Anhui Xiaocaiyuan Supply Chain Co., Ltd. (安徽小菜園供應鏈有限公司), a limited liability company incorporated under the laws of the PRC on June 23, 2021 and a wholly owned subsidiary of the Company
"Zhengzhou Caicaiyuanyuan"	Zhengzhou Caicaiyuanyuan Catering Management Co, Ltd. (鄭州菜菜園園餐飲管理有限公司), a limited liability company incorporated under the laws of the PRC on July 10, 2023 and a wholly owned subsidiary of the Company

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

"BI"	Business Intelligence
"by-restaurant operating loss"	according to the by-restaurant management account, the operating profit of a restaurant is negative
"CAGR"	compound annual growth rate
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"ESG"	environmental, social and governance
"first-tier cities"	for the purpose of this prospectus, the urban areas of Beijing, Guangzhou, Shanghai and Shenzhen
"GDP"	gross domestic product
"GFA"	gross floor area
"GPS"	the Global Positioning System
"initial breakeven period"	the first calendar month for the restaurant revenue of a newly opened restaurant to at least equal to its operating expenses
"investment payback period"	the amount of time it takes for a restaurant by accumulating its EBITDA (excluding depreciation of right-of-use assets) at a single-restaurant level to cover the capital expenditures to open that restaurant
"new first-tier cities"	for the purpose of this prospectus, the urban areas of Changsha, Chengdu, Chongqing, Dongguan, Hangzhou, Hefei, Kunming, Nanjing, Ningbo, Qingdao, Suzhou, Tianjin, Wuhan, Xi'an, and Zhengzhou
"non-GMO"	non-genetically modified organisms
"POS"	Point of Sale
"R&D"	research and development

"restaurant-level operating margin"	calculated as a percentage of the restaurant revenue using the difference between revenue and the sum of raw materials and consumables used and directly attributable costs to restaurants operation, including restaurant-level staff costs, depreciation of right-of-use assets, other rentals and related expenses, depreciation and amortisation of other assets, utilities expenses, advertising and promotion expenses, delivery service expenses, other expenses (excluding administrative expenses, professional service expenses business development expenses and listing expenses) and interest on lease liabilities
"restaurant revenue"	the aggregate restaurant revenue from our restaurants, including revenue generated from dine-in customers and customers from our delivery business
"SaaS"	Software as a service, is a way of delivering applications remotely over the internet instead of locally on machines
"SAP"	System Applications and Products
"second-tier cities"	for the purpose of this prospectus, the urban areas of Baoding, Changchun, Changzhou, Dalian, Foshan, Fuzhou, Guiyang, Harbin, Huizhou, Jiaxing, Jinan, Jinhua, Linyi, Nanning, Nanchang, Nantong, Quanzhou, Shaoxing, Shenyang, Shijiazhuang, Taiyuan, Taizhou, Weifang, Wenzhou, Wuxi, Xiamen, Xuzhou, Yantai, Zhongshan and Zhuhai
"SOP"	Standard Operating Procedure
"sq.m."	square meter(s)
"SSSG"	same store sales growth, which is the percentage difference in revenue generated by same stores across two periods. For purposes of calculating same store performance, between two periods, we define same stores as those *Xiaocaiyuan* restaurants that were open for at least 300 days in both 2021 and 2022 and in both 2022 and 2023, and for at least 201 days both in the eight months ended August 31, 2023 and 2024
"third-tier cities and below"	for the purpose of this prospectus, cities, county-level cities and counties in China other than first-tier cities, new first-tier cities and second-tier cities

This Prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this Prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, following:

- general political and economic conditions, including those related to the PRC;
- our business prospects and our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the catering industry and markets in which we operate or into which we intend to expand;
- economic and industry trends;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance, including revenues, expenses, and margins, and our ability to achieve or maintain future profitability;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the catering industry and markets in which we operate;
- various business opportunities that we may pursue; and
- capital market developments, changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this Prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this Prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Prospectus might not occur. All forward-looking statements contained in this Prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information set out in this prospectus before making an investment in the Shares, including the risks and uncertainties described below in respect of our business and our industry and the Global Offering.

The occurrence of any of the following events could materially and adversely affect our business, results of operations, financial condition or prospects. If any of these events occurs, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business depends significantly on the market recognition of our *Xiaocaiyuan* brand, and if we are not able to maintain or enhance the image of our *Xiaocaiyuan* brand recognition, our business, financial condition and results of operations may be materially and adversely affected.

We believe that maintaining and enhancing the image of our *Xiaocaiyuan* brand is important to maintain our competitive advantage and is vital to our success. During the Track Record Period, we primarily generated our revenue from our *Xiaocaiyuan* branded restaurants, which accounted for 98.7%, 98.8%, 99.1%, 99.1% and 99.0% of our total revenue in 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, respectively. However, our ability to maintain our brand recognition depends on a number of factors, some of which are beyond our control. Our continued success in preserving and enhancing the image of our brand depends to a large extent on our ability to further develop and maintain the quality of our dishes, affordable prices, hospitable services and pleasant dining environments throughout our restaurant network and our ability to respond to any changes in the competitive environment within China's catering industry. If we are unable to do so, the value of our brand will be diminished and our business and results of operations may be materially and adversely affected. Any events that will harm our reputation, such as liability claims, litigation, consumers' complaints, illegal activities conducted by consumers in our restaurants, other negative publicity of our food and delivery services, or any violation acts by third-parties such as using our *Xiaocaiyuan* brand illegally, may have a negative effect on our brand. Furthermore, the image of *Xiaocaiyuan* brand may be affected by reviews made by consumers on social media platforms. We have no control over the content of such reviews in relation to our food and our delivery services. Any negative reviews or related content, regardless of their validity, may materially and adversely affect our brand and the results of our operations. We cannot assure you that we will not receive any material consumer complaints, which may cause a material adverse effect on our future operation. As we continue to grow in size, expand our offerings and services and extend our geographic reach, maintaining quality and consistency may be more difficult and we cannot assure you that consumers' confidence in our brand will not be diminished.

We have in recent years experienced rapid expansion, which may lead to increasing risks and uncertainties, and our evolving operation system may not be effective to address such risks and uncertainties.

We have increased the number of our restaurants from 379 as of December 31, 2021 to 422 as of December 31, 2022, further to 542 as of December 31, 2023, and further increased to 640 as of August 31, 2024. We expect our rapid growth to continue in the foreseeable future. Along with our rapid growth, we face an emerging challenge of continuing rapid expansion while ensuring consistent outstanding quality and service. In particular, this entails the following major aspects of our operations:

- *Food safety and quality control*. A large-scale chain restaurant generally has a large number of restaurant employees. As we rapidly expand, due to the labor-intensive nature of the restaurant business, it becomes more difficult to ensure that the dining experiences across all of our restaurants is consistently of high quality, and that all of the employees comply with relevant laws and regulations, especially the detailed and stringent regulations in relation to food safety.

- *Talent pool for restaurant managers and head chefs*. We have adopted a stringent promotion mechanism to promote our restaurant frontline staff. Our restaurant managers or head chefs typically start from restaurant frontline positions. As a result, our continuing expansion may place a strain on our pool of qualified candidates for restaurant managers and head chefs.

- *Supply chain management*. The quality and the taste of our dishes depend significantly on the quality of food ingredients. As we rapidly expand, it may become increasingly difficult to procure high-quality food ingredients consistently at favorable prices from reliable suppliers and manage the inventory and logistics for food ingredients across all of our restaurants.

Our current expansion plans contemplate more rapid expansion than before. There is no assurance that we will be able to expand at the expected pace or effectively manage our growth. Our expansion may place substantial demands on our management and our operational, technological, financial and other resources, as well as significant demands on us to maintain consistent service and food quality to ensure that our brand does not suffer as a result of any deterioration, whether actual or perceived, in the quality of our service or food. In addition, there can be no assurance that our management system, as it evolves, will always be able to address our needs at different stages of our growth. Any significant failure or deterioration of our management system could have a material and adverse effect on our business and results of operations.

We may not be able to maintain and increase the sales and profitability of our existing restaurants, and our future growth also depends on our ability to open and profitably operate in existing and new geographical markets.

The sales of existing restaurants will affect our growth and continue to be a critical factor affecting our revenue and profit. Our ability to increase the sales of existing restaurants depends in part on our ability to successfully implement our initiatives to increase customer traffic and table turnover. Examples of these initiatives include offering innovative menu items and combinations, improving the dining experiences to attract repeat consumers, enhancing customer loyalty, attracting more consumers during non-peak hours and adjusting the prices of our menu items. There can be no assurance that we will be able to achieve our targeted sales growth and profitability for our existing restaurants. Also, we cannot ensure that existing restaurant sales will not decrease. If we are unable to achieve our targeted sales and profitability in our existing markets, our business, financial condition and results of operations may be materially and adversely affected.

Our future growth also depends on our ability to open and profitably operate new restaurants. In 2021, 2022, 2023 and the eight months ended August 31, 2024, we opened 107, 48, 132 and 109 new restaurants, respectively. We plan to open approximately 160 and 180 new *Xiaocaiyuan* restaurants in 2025 and 2026, respectively. We may not be able to open new restaurants at the same pace as in the past or as quickly as planned. Delays or failures in opening new restaurants could materially and adversely affect our growth strategy and our expected financial and operating results. In obtaining new restaurant sites, we may face intense competition from our competitors in China's catering industry. We may also encounter delays when applying for relevant material licenses and permits during the approval process from the government authorities, for which the timeline is beyond our control. Moreover, since most of our restaurant managers and head chefs are promoted from the frontline of our restaurants, there might be insufficient existing restaurant employees with experience to assist with opening new restaurants. Even if we are able to open additional restaurants as planned, these new restaurants may not be as profitable or have results comparable to our existing restaurants.

Our current expansion plan includes increasing our penetration in markets where we have existing restaurants. As we open new restaurants in our existing geographic markets, the sales performance and customer traffic of our existing restaurants near such new restaurants may decline as a result of potential cannibalization. We cannot assure you that these new restaurants will not cannibalize the business of our existing restaurants, in which case our business, financial conditions and results of operations may be materially and adversely affected. We may also open new restaurants in markets where we have little or no operating experience. Through our research of these markets, we believe they present significant opportunities for the expansion and growth of our business. However, the new markets may have different competitive dynamics, consumer preferences and discretionary spending patterns from our existing markets. As a result, we may not be able to open new restaurants in these markets on a timely basis or at all. If the new restaurants do open, they may be less profitable compared with restaurants in our existing markets. Consumers in a new market may not be familiar with our brands and we may need to build brand awareness in that market through advertising and promotional activities, which could result in higher expenses than originally planned. Opening restaurants in new markets may record lower average sales, lower average spending per consumer, higher renovation costs or higher operating costs than restaurants in existing markets. In addition, we may take longer to set up similar supply chain networks with suitable quality control in such new markets. Restaurants opened in new markets may take longer than expected to ramp up and reach, or may never reach, expected sales and profit levels, thereby affecting our overall profitability. There can be no assurance that we will be able to maintain our profitability as we continue to expand into new markets.

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

Any rise in our costs, particularly higher costs of the food ingredients and associated logistics costs, may lead to declines in our margins and operating results. For example, according to the Ministry of Agriculture, the average price of chicken increased from RMB13.4 per kilogram in 2021 to RMB14.14 per kilogram in 2023, and the average price of rice increased from RMB5.4 per kilogram in 2021 to RMB5.6 per kilogram in 2023. According to the National Development and Reform Commission, the petrol price in China also increased from RMB7.8 thousand per tonne in 2021 to RMB9.0 thousand per tonne in 2023. Our cost of raw materials and consumables used depends on a variety of factors, many of which are beyond our control. Fluctuations in weather, supply and demand, and economic conditions could adversely affect the cost, availability, and quality of our critical food ingredients. If we are not able to obtain requisite quantities of quality food ingredients at commercially reasonable prices, we may not be able to serve our dishes. Furthermore, if we cannot pass these cost increases onto our consumers, our profit margins may decrease.

If we cannot obtain desirable restaurant sites or secure the renewal of existing leases on commercially reasonable terms, or our current restaurant sites are affected by other unfavourable factors beyond our control, our business, results of operations and ability to implement our growth strategy may be materially and adversely affected.

We compete with other restaurants for suitable restaurant sites. Also, some commercial property operators may offer priority or grant exclusivity for desirable sites to some of our competitors. We cannot assure you that we will be able to enter into new lease agreements for prime sites or renew existing lease agreements on commercially reasonable terms.

The lease arrangements for our restaurants generally last for five to eight years. Where we do not have a provision providing an option to renew a lease agreement, we may need to negotiate the terms of renewal with the lessor, who may insist on a significant modification to the terms and conditions of the lease agreement. If a lease agreement is renewed at a rent substantially higher than the existing rent or other existing favorable terms granted by the lessor, if any, are not extended, we must evaluate whether renewal on such modified terms is in our business interest. If we are unable to renew leases for our restaurant sites, we will have to close or relocate the relevant restaurants, which would eliminate the sales that the restaurants would have contributed to our revenue during the period of closure, and could subject us to costs and risks relating to new restaurant openings. In addition, the revenue and profit generated at a relocated restaurant may be less than the revenue and profit previously generated before such relocation.

The success of a restaurant also substantially depends on its sites. There can be no assurance that our current restaurant sites will continue to be attractive as economic or demographic conditions change. The economic and demographic conditions of our restaurant sites could become unfavorable to us in the future, thus resulting in potentially reduced sales of restaurants in these sites. As of August 31, 2024, there were 179 restaurants that have a lease term of over five years. Those long lease terms may further expose us to such risk, as our flexibility in relocating or closing such restaurants should their site become less attractive would be limited.

Furthermore, as we lease the property for most of our restaurants, central kitchen, warehouse, employee dormitories and offices, we have significant exposure to the retail rental market in the PRC. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our depreciation of right-of-use assets amounted to RMB146.4 million, RMB172.3 million, RMB196.3 million, RMB122.0 million and RMB168.1 million, respectively, representing 5.5%, 5.4%, 4.3%, 4.0% and 4.7%, of our total revenue for the respective period, and our other rentals and related expenses were RMB51.2 million, RMB57.4 million, RMB58.5 million, RMB35.0 million and RMB63.1 million, respectively, representing 1.9%, 1.8%, 1.3%, 1.1% and 1.8%, of our revenue for the respective periods. Since our rental expenses represent a significant portion of our total operating expenses, our profitability may be adversely affected by any substantial increase in such expenses of our restaurant premises.

Additionally, as of August 31, 2024, 126 of our restaurants in operation were rented from one commercial property operator, and our reliance on that landlord subjects us to concentration risk. We cannot assure you that the said landlord will not have a change of business scope or business model, or will continue to maintain its business relationship with us. As such, should these situations occur, our business, financial condition, results of operations and profitability may be adversely affected. Any material adverse changes to that commercial property operator may also result in material adverse impact on their business with us.

In the event of any closure or demolition of any of the properties in which our restaurants, central kitchen or warehouses are situated for redevelopment, or winding down of landlords' operations, the amount of compensation to be awarded to us may not be adequate. In such event, we will be forced to relocate to other sites.

Therefore, any inability to obtain leases for desirable restaurant sites or renew existing leases on commercially sound terms or other unfavourable factors occur that prevent us from maintaining our restaurant sites or obtaining new desirable positions could have a material and adverse effect on our business, financial condition and results of operations.

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

The success of our restaurants revolves primarily around consumer satisfaction, which is dependent on the continued popularity of our *Xiaocaiyuan* brand and lies in our ability to maintain and enhance our dining experiences. The quality of our food or dining experiences may be adversely affected by a number of factors, including, among others:

- decline in the quality of service provided by our restaurant frontline staff;
- inability to introduce new menu items that gain popularity amongst consumers;
- inability to meet the needs of our consumers and changes in customer preferences;
- decline in food quality, or the perception of such decline amongst consumers;
- any significant liability claims or food contamination complaints from our consumers;
- inability to offer quality food at affordable prices;
- long waiting time;
- decrease in the attractiveness or quality of design of our restaurants; and
- low quality of delivery service.

Our food safety and quality control systems consist of (i) procurement and supplier quality control, (ii) central kitchen, warehouses and restaurant quality control and (iii) logistics quality control. For more details on our quality control systems, see “Business – Food Safety and Quality Control.” There can be no assurance that our food safety and quality control systems will prove to be effective. We cannot guarantee that our food and dining experiences will continue to be of high quality and favored by consumers, or that our existing and new restaurants will continue to be successful.

We may be unable to continue to successfully develop our new brands.

We are committed to developing new brands, but there is no guarantee that these new brands will be as marketable as *Xiaocaiyuan*. In 2023, we started to operate restaurants under other brands, such as *Caishou*, which we believe have strong potential for growth. However, any new brand that we launched and may launch may not achieve anticipated sales targets. To support our development of new brands, we will need to recruit more experienced employees specialising in managing new brands and services, and further enhance our operational and financial systems, procedures and controls. Moreover, we will need to devote significant financial and managerial resources to the research and development of new brands. We will also need to engage suitable suppliers to support our new brands and develop new marketing strategies to promote these new brands. All of these endeavors involve substantial risks and require skillful execution and significant expenditure. We cannot assure you that our new brands will gain market acceptance as expected, or at all. In addition, we cannot guarantee that any new brand that we may launch will be able to generate positive cash flows.

Failures to meet food safety and hygiene standards could have a material and adverse effect on our reputation, financial conditions and results of operations.

Due to the scale of our operations, maintaining consistent food quality depends significantly on the effectiveness of our quality control system, which in turn depends on a number of factors, including but not limited to the design of our quality control system and our food safety and hygiene standards, employee trainings to ensure that our employees adhere to and implement those quality control policies and the effectiveness of monitoring any potential violation of our quality control system and our food safety and hygiene standards. There can be no assurance that our quality control system will always prove to be effective. As we rapidly expand, due to the labor-intensive nature of the restaurant business, it becomes more difficult to ensure that the dining experiences across all of our restaurants are consistently of high quality, and that all of the staff comply with all applicable laws and regulations, especially the detailed and stringent regulations in relation to food safety and hygiene. In particular, during the Track Record Period and up to the Latest Practicable Date, there had been certain isolated food safety incidents, complaints and investigations by local authorities involving our restaurants resulting in administrative penalties. The quality of the ingredients or service provided by our suppliers 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 current suppliers may always be able to adopt appropriate quality control system and meet our stringent quality control requirements in respect of the supplies or services they provide. Any significant failure or deterioration of our quality control systems and our food safety and hygiene standards could have a material and adverse effect on our reputation, financial condition and results of operations.

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

China's catering industry is intensely competitive with respect to, among other things, food quality and consistency, taste, price, ambience, service, site, supply of quality food ingredients and employees. According to Frost & Sullivan, the mass Chinese cuisine market is highly fragmented, and the players in this market face fierce competition. The market size of the mass Chinese cuisine market measured by revenue was RMB3,618.7 billion in 2023, while the revenue of each top five brand in China's mass Chinese cuisine market only ranged from RMB2.0 billion to RMB4.5 billion. We face significant competition at each of our sites from a variety of restaurants in various market segments, including locally owned restaurants and regional and international chains. Our competitors also offer dine-in and delivery services. There are a number of well-established competitors with substantially greater financial, marketing, personnel and other resources than ours, and many of our competitors are well established in the markets where we have restaurants or in which we intend to open new restaurants. Additionally, other companies may develop new restaurants that operate with similar concepts and target similar customer groups, thus resulting in increased competition.

Any inability to successfully compete with the other restaurants in our markets may prevent us from increasing or sustaining our revenue and profitability and thus lose market share, which could have a material and adverse effect on our business, financial condition, results of operations or cash flow. We may also need to modify or refine elements of our restaurant network to evolve our concepts in order to compete with popular new restaurant styles or concepts that develop from time to time. We cannot ensure that we will be successful in implementing these modifications or that these modifications will benefit us as expected, or at all.

Our success depends on the continuing efforts of our senior management team and other key personnel, and therefore our business may be harmed if we lose their services.

Our future success depends heavily upon the continuing services and performance of our key management personnel. We must continue to attract, retain and motivate a sufficient number of qualified management and operating personnel to maintain consistency in the quality of our offerings and services and meet our expansion plans.

If our senior management team fails to work together successfully, or if one or more of our senior managers are unable to effectively implement our business strategy, we may be unable to grow our business at the speed or in the manner we expect. Competition for experienced management and operating personnel in the catering market is intense, and the pool of qualified candidates is limited. We may not be able to retain the services of our key management and operating personnel or attract and retain high-quality senior executives or key personnel in the future.

In addition, if one or more of our key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all. Therefore, our business may be disrupted and our results of operations may be materially and adversely affected. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing business, business secrets and know-how may leak as a result. Any failure to attract, retain and motivate these key personnel may harm our reputation and result in a loss of business. Any of the above would materially and adversely affect our business and results of operations.

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

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

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

We are exposed to the risks of fraud, theft or other misconduct involving employees, consumers or other third parties, which may have a material adverse impact on our business. We are also exposed to the risk of our employees responsible for procurement and quality control receiving bribes or kickbacks from our suppliers in violation of our policies, which in turn may result in supplies that are overpriced or fail our quality standard. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses or harm our reputation.

Our historical financial and operating results are not indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue, profitability and margins.

Our historical results and growth may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our Shares to decline. Our revenue, expenses, margins and operating results may vary from period to period in response to a variety of factors beyond our control. These factors can include general economic conditions, special events, government regulations and policies affecting our restaurant operations. In addition, our overall results of operations may fluctuate significantly from period to period because of various factors that are beyond our control, including: the timing of new restaurant openings; revenue loss and renovation expenses associated with the temporary closure of existing restaurants for refurbishment; impairment of non-current assets, including goodwill and any losses incurred on restaurant closures; and fluctuations in raw materials and commodity prices. You should not rely on our historical results to predict our future financial performance.

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

If our suppliers do not deliver food ingredients and other consumables in a timely manner, we may experience supply shortages and increased costs. The ability to source high-quality food ingredients at competitive prices in a timely manner is crucial to our business. Our ability to maintain consistent quality of our menu items throughout our restaurant network depends in part upon our ability to acquire food ingredients and other consumables in sufficient quantities from reliable sources that meet our food safety and quality specifications. We generally enter into framework agreements with our suppliers for food ingredients and other consumables with fixed prices within certain periods. In 2021, 2022, 2023 and the eight months ended August 31, 2024, the total purchases from our five largest suppliers in aggregate accounted for 24.9%, 19.5%, 15.9% and 24.6% of our total purchases, respectively, and our purchases from our largest supplier in each year or period during the Track Record Period accounted for 7.8%, 5.4%, 4.7% and 8.0% of our total purchases, respectively. During the Track Record Period, none of our key suppliers ceased or indicated that it would cease to provide supplies to us. Also, we did not experience any material delays or interruptions in securing supplies from our key suppliers. However, there can be no assurance that we will be able to maintain business relationships with our key suppliers in the future.

A disruption of the supply of our food ingredients and other consumables can occur for a variety of reasons, many of which are beyond our control, including adverse weather conditions, international trade disputes, import and export restrictions, natural disasters, diseases, important suppliers ceasing operations or unexpected production shortages. Moreover, there can be no assurance that our current suppliers may always be able to meet our stringent quality control standards in the future. If any of our suppliers does not perform their quality controls adequately or otherwise fails to distribute goods to us in a timely manner, we cannot assure you that we will be able to find suitable alternative suppliers in a short period of time on acceptable terms. As a result, our failure to do so could increase our procurement costs and cause shortages of food ingredients and other consumables. Any significant food ingredients shortages or supply disruptions will lead to the unavailability of some menu items and a significant reduction in revenue as consumers may seek alternative dining options.

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

Historically, staff costs, comprising salaries, wages and other benefits payable to all our employees, including our directors, senior management, headquarters personnel and restaurant employees, have been a major component of our operating costs. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our staff costs amounted to RMB832.0 million, RMB969.9 million, RMB1,334.2 million, RMB897.6 million and RMB980.9 million, accounting for 31.4%, 30.2%, 29.4%, 29.2% and 27.7% of our revenue, respectively. Currently, all of our employees are employed in the PRC, and the economy of the PRC has grown significantly over the past 20 years, which has resulted in an increased average cost of labor. According to Frost & Sullivan, the average annual salary of employees in the catering industry in China increased from RMB39,600 in 2018 to RMB49,300 in 2023. We compete with other competitors for labor resources, and may not be able to offer competitive remuneration and benefits compared with them. Any shortages in the availability of labor or any material increase in the cost of labor as a result of competition, increased minimum wage requirements and employee benefits will diminish our competitive advantage and have a material and adverse effect on our business, financial condition and results of operations.

Any significant liability claims, food contamination complaints from our consumers or reports of food tampering incidents could adversely affect our reputation, business and operations.

Being in China's catering industry, we face an inherent risk of food contamination and liability claims. Our food quality substantially depends on the quality of the food ingredients provided by our suppliers, and we may not be able to detect all defects in those supplies. As we expand our business scale, we cannot assure you that these counterparties or our restaurant employees will adhere to our internal policies and procedures at all times. Any failure to detect defective food supplies, poor hygiene or cleanliness standards in our operations or other failure to observe our requirements, could adversely affect the quality of the dishes served in our restaurants, which could lead to liability claims, complaints, or related adverse publicity and could result in the imposition of penalties by competent authorities or compensation awarded by courts against us.

Most of the consumer complaints we received were related to the dish taste, long waiting times, and the service quality of our restaurant frontline staff. We take these complaints seriously and endeavor to reduce such complaints by implementing various remedial measures. Nevertheless, we cannot assure you that we can successfully prevent all consumer complaints of similar nature.

Any complaints or claims against us or any restaurants we operate, even if without merit and unsuccessful, may divert management attention and other resources from our business and adversely affect our business and operations. Consumers may lose confidence in us and our brand, which may adversely affect the business of our restaurants, resulting in declines in our revenue and even losses. Furthermore, negative publicity, including but not limited to negative online reviews on social media and crowd-sourced review platforms or media reports related to food quality, safety, public health concerns, illness, or injury, or industry findings, whether or not accurate, and whether or not concerning our restaurants, can adversely affect our business, results of operations and reputation.

We face risks relating to our investments.

We, in the future, may invest, in companies in the upstream or downstream of China's catering industry. Such endeavors may involve significant risks and uncertainties, including diverting management from current operations, greater than expected liabilities and expenses, and issues not discovered in our due diligence. For investments over which we do not obtain control, we may lack influence over the operations of these investees, which may prevent us from achieving our strategic goals in these investments. In addition, we may experience constraints on our liquidity because gains or losses from those investments do not give rise to any change in our cash position unless we dispose of the relevant assets or receive dividend payments.

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

Our business is susceptible to food-borne illnesses, health epidemics and other outbreaks. We cannot guarantee that our internal controls and training will be fully effective in preventing all food-borne illnesses. Furthermore, our reliance on suppliers increases the risk of incidents of food-borne illness such as mad-cow diseases, which could be caused by suppliers outside our control and the risk of affecting multiple sites instead of a single restaurant being affected. Reports in the media of instances of food-borne illnesses could, if highly publicized, negatively affect our industry overall and us, regardless of whether we were responsible for the spread of the illness. Furthermore, other illnesses, such as foot and mouth disease or avian influenza, could adversely affect the supply of some of our food ingredients and significantly increase our costs, thereby impacting our restaurant sales, forcing the closure of some of our restaurants and conceivably having significant adverse effects on our results of operations.

We also face risks related to health epidemics. In June 2009, the World Health Organization declared the outbreak of H1N1 influenza to be a pandemic. In April 2013, there were outbreaks of highly pathogenic avian flu caused by the H7N9 virus in certain parts of the PRC. In December 2019, COVID-19 was first reported and was subsequently declared a pandemic by the World Health Organization in March 2020. China's catering industry may be significantly affected by any epidemics or pandemics in the PRC. In recent years there have also been seasonal outbreaks of the influenza A virus worldwide which is prevalent during the winter season. Any of the above may cause material disruptions to our operations, including but not limited to, travel restrictions, temporary closures of our restaurants, and sickness or death of our key personnel, which in turn may materially and adversely affect our financial condition and results of operations.

Information technology system failures, breaches of our network security or compromised data privacy or information security could interrupt our operations and adversely affect our business.

We rely on our information technology systems across our operations and management to monitor the daily operations of our restaurants and to collect accurate, up-to-date financial and operating data for business analysis and decision-making. Any damage or failure of our information technology systems or computer virus attacks that cause interruptions or inaccuracies in our operations could have a material and adverse effect on our business and results of operations.

We also receive certain personal information about our consumers through our membership system. Our network security may be breached due to the actions of outside parties, employee error, malfeasance, or a combination of these or otherwise. If any actual or perceived breach of our security occurs, we may become subject to litigation or other proceedings relating to such incidents. Any such proceedings could divert our management from running our business and cause us to incur significant unplanned losses and expenses. In addition, our consumers' confidence in the effectiveness of our security measures could be harmed and we may lose consumers and suffer financial losses due to such events or in connection with remediation efforts, investigation costs and system protection measures. Any of the above could harm our reputation and materially and adversely affect our business and results of operations.

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

We have invested and intend to continue to invest significantly in technology systems and intelligence equipment, such as our information technology systems and smart devices to enhance the consumer experience and improve the efficiency of our operations. See "Business – Our Information Technologies." We invested RMB8.7 million, RMB14.4 million, RMB19.9 million and RMB13.5 million in technology systems and intelligence equipment in 2021, 2022, 2023 and the eight months ended August 31, 2024, respectively. We cannot assure you that our investments in technology will generate sufficient returns or have the expected effects on our business operations, if at all. If our technology investments do not meet expectations for the above and other reasons, our prospects and share price may be materially and adversely affected.

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

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

In 2021, 2022, 2023, the eight months ended August 31, 2024, approximately 95.4%, 97.2%, 97.9%, and 98.5%, respectively, of our sales (before the deduction of value-added tax) were settled through online payment methods. Therefore, the ability to accept online payments is critical to our business. We accept online payments through third-party payment service providers, such as WeChat Pay, Alipay and Union Pay. If we fail to extend or renew the agreements with these online payment processors on acceptable terms or if these payment service providers are unwilling or unable to provide us with payment services or impose onerous requirements on us in order to access their services, or if they increase the fees they charge us for these services, our business and results of operations could be harmed.

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

Our insurance policies may not provide adequate coverage for all claims associated with our business operations.

In the PRC, we currently maintain (i) employer liability insurance, (ii) public liability insurance, (iii) property all risks insurance, (iv) motor insurance and (v) drivers and passengers accident insurance. We consider our insurance coverage to be customary for business of our size and type and in line with standard commercial practice in the PRC. For more details of our insurance policies, see "Business – Insurance." However, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, such as loss of reputation. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business and results of operations may be materially and adversely affected.

We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business and operation.

We believe that our brand is essential to our success and our competitive position. Although we have registered trademarks in other jurisdictions, these steps may not be adequate to protect our intellectual property. There is no assurance that any of our pending trademark applications will be granted. We cannot assure you that the registrations will be successfully completed. If we fail to secure the registration of any trademarks under application, or if we are held by any court or tribunal to be infringing on any trademark of others, our business and results of operations may be adversely affected. See "Statutory and General Information" in Appendix IV to this prospectus. In addition, third parties may infringe upon our intellectual property rights or misappropriate our proprietary knowledge, which could have a material and adverse effect on our business, financial condition or operating results.

If the operations of third parties who used or imitated our trademarks or trade names without our authorization result in adverse side effects on consumers, we may be associated with negative publicity as a result. Preventing trademark and trade name infringement and trade secret misappropriation may be difficult, costly and time-consuming. Such litigation could result in substantial costs and diversion of resources, which could negatively affect our sales, profitability and prospects. Even if any such litigation is resolved in our favor, relevant remedies may not be adequate to compensate us for our actual or anticipated losses, whether tangible or intangible.

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

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

Companies operating in the PRC are required to make social insurance and housing provident funds for their employees. We have in the past failed to make timely social security insurance and housing provident fund contributions for some of our employees in accordance with the relevant PRC laws and regulations. Our PRC Legal Advisor has advised us that, pursuant to relevant PRC laws and regulations, we may be ordered by the relevant PRC authorities to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue charge of 0.05% of the delayed payment per day. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. In view of the above and based on the estimation of our Directors, the amount of maximum potential penalty due to shortfall of social insurance payments during the Track Record Period would be approximately RMB29.4 million, RMB39.3 million, RMB42.2 million and RMB30.0 million, respectively. Our PRC Legal Advisor has further advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund contributions as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. In view of the above and based on the estimation of our Directors, in the case that if the relevant authority makes an application to relevant courts for enforcement, the amount of maximum potential enforcement due to shortfall of housing provident fund contributions during the Track Record Period would be approximately RMB9.5 million, RMB11.0 million, RMB14.3 million and RMB9.1 million, respectively. For details, see "Business – Our Employees – Non-compliance Related to Social Insurance and Housing Provident Funds."

Our rights to use some of our leased properties could be challenged by property owners or other third parties due to usage defects, which may adversely affect our business operations and financial condition.

As of the Latest Practicable Date, with respect to 265 out of 2,316 of our leased properties in China, the lessors of such properties failed to provide us with sufficient or valid ownership certificates or any form of permission to sublet from the owners, despite the proactive requests we previously made, with an aggregate GFA of approximately 51,899.3 sq.m., representing approximately 12.5% of the total leased GFA of our leased properties. Based on the advice of our PRC Legal Advisor, if the lessors of the leased properties do not have the requisite rights to lease the relevant properties, we would not be subject to any administrative penalties with respect to these properties, but our leases may be affected, and, as a result, we may be required to vacate the relevant properties and relocate our restaurants. In this event, our operation of restaurants on such properties may be impaired and we may not be adequately indemnified by the landlords for our related losses. Also, we will incur additional costs in relocating our restaurants to other suitable sites, thus affecting our business operations, financial condition and results of operations. For details, see "Business – Property – Leased Properties."

As of the Latest Practicable Date, the lease agreements with respect to 918 of our leased properties were not registered with the appropriate government authorities in the PRC. As advised by our PRC Legal Advisor, failure to complete the registration of lease agreements may lead to a fine ranging from RMB1,000 to RMB10,000 imposed by the relevant PRC authorities for each of these lease agreements if we fail to complete the registration of lease agreements within the stipulated period, and as such, the potential maximum penalties in relation to the aforementioned non-compliant incidents is RMB9.2 million.

As of the Latest Practicable Date, the actual use of five leased properties (with an aggregate GFA of approximately 520.9 sq.m., representing approximately 0.1% of our total leased GFA) did not fit into the prescribed scope of usage shown on the relevant ownership certificates ("**Leased Properties with Usage Defects**"). For those Leased Properties with Usage Defects, as advised by our PRC Legal Advisor, administrative penalties may be imposed on the owners if the properties are leased for the usage incompatible with the prescribed scope, and our usage of the leased properties with usage defects may be interrupted. However, as a tenant, we are not subject to any penalties in this regard.

The increasing awareness of ESG issues may lead to revisions to laws and regulations and increase our compliance costs.

With the rising awareness of ESG issues, including with respect to food and packaging waste, greenhouse gas emissions and environmental protection, any revisions to laws and regulations may affect our business operations. Accordingly, we may need to devote more effort and resources to ensure our compliance with such laws or regulations. We have adopted a series of measures aiming to ensure our compliance with the ESG-related laws and regulations applicable to us, as described in "Business – Environmental Sustainability and Social Responsibility." We cannot assure you that these risk management measures can effectively mitigate the relevant risks. Revisions to existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our compliance costs, and if we fail to comply with such ESG-related laws and regulations, our business, results of operations and financial performance may be adversely affected.

Events that disrupt the operations of any of our restaurants, central kitchen and warehouses, such as fires, floods, earthquakes or other natural or man-made disasters, may adversely affect our business operations.

Our operations are vulnerable to interruption by fires, floods, typhoons, power failures and shortages, terrorist attacks and other events beyond our control. Our business is also dependent on prompt delivery and transportation of our food ingredients and other consumables. Certain events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays, and labor strikes, could also lead to delayed or lost deliveries of food supplies to logistics facilities and our restaurants. Any of these may result in the loss of potential business, and thus sales revenue. Perishable food ingredients, such as fresh, chilled or frozen food ingredients, may deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our suppliers or our logistics partners. In addition, fires, floods, earthquakes and terrorist attacks may lead to evacuations and other disruptions in our operations, which may also prevent us from providing quality offerings and services to consumers, thereby affecting our business and damaging our reputation. Any such event could adversely affect our business operations and results of operations.

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

China's catering industry is affected by macroeconomic factors, including changes in international, national, regional and local economic conditions, employment levels and consumer spending patterns. Any deterioration of the global economy, decrease in disposable consumer income, fear of recession and decreases in consumer confidence may lead to a reduction of customer traffic and average spending per consumer at our restaurants. These macroeconomic factors could materially and adversely affect our financial condition and results of operations.

Moreover, the occurrence of a sovereign debt crisis, banking crisis or other disruptions in the global financial markets that could impact the availability of credit generally may have a material and adverse impact on financing available to us. Renewed turmoil affecting the financial markets, banking systems or currency exchange rates may significantly restrict our ability to obtain financing from the capital markets or from financial institutions on commercially reasonable terms, or at all, which could materially and adversely affect our business, financial condition and results of operations.

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

We are a holding company incorporated in the Cayman Islands and operate our businesses through our operating subsidiaries in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders depends upon dividends received from these subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted. The PRC laws and regulations require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. The PRC laws and regulations also require enterprise incorporated in the PRC to set aside 10% of after-tax profits based on the relevant accounting standards set out by the PRC regulatory authorities at the end of each year to fund certain statutory reserves until such reserve funds reach and remain at or above 50% of the relevant PRC entity's registered capital. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

In addition, pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), or the EIT Law, which became effective on January 1, 2008, and was last amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the "**EIT Implementation Rules**"), which took effect on January 1, 2008 and was last amended on April 23, 2019, if a foreign entity is deemed to be a "non-resident enterprise" as defined under the EIT Law, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements. According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Mainland-Hong Kong Tax Arrangement**"), which became effective on December 8, 2006, dividends paid by a PRC foreign-invested enterprise in the PRC to its shareholder(s) incorporated in Hong Kong will be subject to withholding tax at a rate of 10%, or at a rate of 5% if the Hong Kong company is considered as a "beneficial owner" which directly holds a 25% or more interest in the PRC enterprise. The SAT promulgated the Announcement of the SAT on Issues Regarding Beneficial Owner under Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》) (the "**Circular 9**") on February 3, 2018, which addresses the methods to determine the "beneficial owners" under the Mainland-Hong Kong Tax Arrangement on dividends, interest and royalties.

It is possible, based on the abovementioned principles, that the PRC tax authorities would not consider the Company or our Hong Kong subsidiaries as the "beneficial owner" of any dividends paid from our PRC subsidiaries and would deny the claim for the reduced rate of withholding tax. Under the EIT Law and EIT Implementation Rules, this would result in dividends from our PRC subsidiaries to our Hong Kong subsidiary being subject to PRC withholding tax at a 10% rate instead of a 5% rate. This would negatively impact us and impact our ability to pay dividends.

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

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

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

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

As of December 31, 2021 and 2022, we recorded net current liabilities of RMB468.1 million and RMB231.5 million, respectively. See "Financial Information – Discussion of Certain Key Balance Sheet Items – Net Current Assets and Liabilities" for a detailed analysis of our net current liability position.

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

Fair value changes in our derivative financial instruments and the related valuation uncertainty, as well as change in carrying amount of redemption liability, may affect our financial condition and results of operations.

Our financial instruments issued to an investor primarily represent the convertible bonds, warrants and a compensation right issued to Harvest Delicacy in 2023 in connection with the Pre-IPO Investments. The convertible bonds have been converted into preferred shares accounting for as redemption liability. The compensation right is recognized as derivative financial instruments and measured at fair value through profit or loss. See "History, Reorganization and Corporate Structure – Pre-IPO Investments" and "Financial Information – Indebtedness – Financial Instruments Issued to an Investor" for details. In accordance with our accounting policies, derivative financial instruments are initially recognized at fair value on the date of issuance and are subsequently re-measured to their fair value at the end of each reporting period. We also record profit or loss from our derivative financial instruments regularly to reflect the fair value changes. We use significant unobservable inputs, such as risk free interest rate and expected volatility, in valuing our derivative financial instruments. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. As of December 31, 2021, 2022, 2023 and August 31, 2024, we recorded derivative financial instruments of nil, nil, RMB88.7 million, and RMB66.7 million, respectively. In 2021, 2022, 2023 and the eight months ended August 31, 2023, we recorded loss in changes in fair value of the convertible bonds and derivative financial instruments of nil, nil, RMB3.7 million and RMB4.1 million, respectively. In the eight months ended August 31, 2024, we recorded income in changes in fair value of the convertible bonds and derivative financial instruments of RMB46.4 million. See also Note 25 to the Accountants' Report in Appendix I to this prospectus for details.

In addition, as of August 31, 2024, the redemption liability arising from the Pre-IPO Investments are measured at present value of the redemption price which is the higher of (i) the transaction price at initial recognition, and subsequently at amortized cost at an effective interest rate of 8% per annum plus all declared but unpaid dividends; and (ii) the fair value of the net assets of the Company corresponding to the proportion of shares redeemed. As of December 31, 2021, 2022, 2023 and August 31, 2024, we recorded redemption liability of nil, nil, RMB413.2 million and RMB535.7 million, respectively. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, we recorded changes in carrying amount of the redemption liability of nil, nil, RMB1.7 million, nil and RMB26.1 million, respectively. See also Note 25 to the Accountants' Report in Appendix I to this prospectus for details. If the fair value of our derivative financial instruments, as well as carrying amount of redemption liabilities were to fluctuate, our financial condition could be adversely affected. Upon the Listing and completion of the Global Offering, the preferred shares will be automatically converted into ordinary shares, and accordingly, the redemption liability will be transferred from financial liabilities to equity, and the balance of the derivative financial instruments will be derecognized from consolidated statement of profit or loss.

We may be subject to the risk of obsolescence for our inventories.

Our inventories primarily consisted of food ingredients, condiment products, grain and edible oils, material consumables and other materials used in our restaurant operation. As of December 31, 2021, 2022, 2023 and August 31, 2024, the balances of our inventories amounted to RMB58.1 million, RMB84.8 million, RMB104.9 million and RMB98.3 million, respectively. Our major food ingredients include livestock and poultry products, aquatic products, rices, and vegetables that we use to prepare our dishes. The livestock and poultry products consist of refrigerated products and frozen products, with typical shelf lives of approximately five days and 12-24 months, respectively. Our aquatic products consist of refrigerated products and frozen products, with typical shelf lives of approximately one day and 12-24 months, respectively. Our vegetables have typical shelf lives of approximately three days.

The risk of obsolescence for our inventories increases as the age of our food ingredients increases. In addition, although we adopt multiple methods to manage inventory levels as set out in "Business – Supply Chain Management," certain factors such as unexpected fluctuations in the supply of raw materials or changes in consumers' tastes and preferences are beyond our control and may lead to decreased demand and overstocking of particular products, which in turn increases the risk of obsolescence for our inventories. Furthermore, as our restaurant network expands, our inventory level increases and our inventory obsolescence risk may also increase along with the increased purchase of inventories. In such circumstances, our business, financial condition and results of operations may be materially and adversely affected.

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

Our credit risk is primarily attributable to trade and other receivables. As of December 31, 2021, 2022, 2023 and August 31, 2024, our trade and other receivables amounted to RMB125.6 million, RMB185.4 million, RMB270.1 million and RMB222.8 million, respectively. For further details, see "Financial Information – Discussion of Certain Key Balance Sheet Items – Net Current Assets and Liabilities – Trade and Other Receivables." Our trade and other receivables primarily consisted of (i) trade debtors, which primarily represented receivables from third-party payment platforms such as Alipay and WeChat Pay and third-party delivery services platforms, (ii) other receivables and deposits, which primarily represented rental deposits for our restaurants and employee dormitories and other deposits relating to our business operations such as security deposits paid to our suppliers, (iii) prepayments, which primarily represented prepayments for rental and property management expenses and utilities expenses and (iv) value-added tax recoverable, mainly representing certain tax recoverable in relation to food ingredients and property, plant and equipment that we procure.

If the abovementioned parties delay or default in their payments to us, we may have to make impairment provisions and write off the relevant receivables and hence our liquidity may be adversely affected. This may in turn materially and adversely affect our business, financial condition and results of operations.

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

For the years ended December 31, 2021 and 2022, certain of our subsidiaries fulfilled the criteria required for a preferential income tax rate granted to small and low profit-making enterprises in the PRC, and were entitled to a preferential income tax rate of 2.5% on taxable income for the first RMB1 million and 10% on taxable income for the subsequent RMB1 million to RMB3 million. For the year ended 2023 and the eight months ended August 31, 2024, certain of our subsidiaries fulfilled the criteria required for a preferential income tax rate granted to small and low profit-making enterprises in the PRC, and were entitled to a preferential income tax rate of 5% on taxable income for the first RMB1 million and 5% on taxable income for the subsequent RMB1 million to RMB3 million. However, we cannot assure you that we will continue to enjoy similar preferential tax treatment in the future. The EIT Law and its implementation rules have adopted a flat statutory enterprise income tax rate of 25% to all enterprises in China. If any of our subsidiaries ceases to be entitled to preferential tax treatment, the flat statutory enterprise income tax rate of 25% shall be applied, leading an increase in our income tax expenses, which would adversely affect our results of operations. See Note 7 to the Accountants' Report in Appendix I to this prospectus for details.

The discontinuation of any government grants could adversely affect our financial position, results of operations, cash flows and prospects.

During the Track Record Period, we received government grants from local government authorities in connection with enterprise development support, fiscal subsidies and various tax incentives. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, we recognized government grants of RMB8.8 million, RMB25.0 million, RMB32.2 million, RMB15.4 million and RMB10.5 million as other income, respectively. We cannot assure you that we will continue to receive such government grants from local government authorities or that the amount of such grants will not be reduced in the future. Any significant reduction of government grants received by us may adversely affect our financial condition and results of operations.

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

Our contract liabilities primarily represented (i) prepaid cards and (ii) estimated loyalty points arising from our membership reward system, which could be used in future dining in our restaurants by members of our membership reward system. We recorded contract liabilities of RMB48.4 million, RMB57.8 million, RMB67.9 million and RMB67.9 million as of December 31, 2021, 2022, 2023 and August 31, 2024, respectively. See "Financial Information – Discussion of Certain Key Balance Sheet Items – Net Current Assets and Liabilities – Contract Liabilities." If we fail to fulfill our obligations under our prepaid cards, cash vouchers and loyalty points, we may not be able to recognize such contract liabilities as revenue, which may have a material and adverse impact on our business, results of operation, reputation and liquidity position.

RISKS RELATING TO LAWS AND REGULATIONS

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

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

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

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

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

In accordance with the PRC laws and regulations, we are required to maintain various approvals, licenses and permits in order to operate our businesses in the PRC. Each of our restaurants in the PRC is required to obtain the relevant catering service license and fire safety inspection approvals. These approvals, licenses and permits are achieved upon satisfactory compliance with, amongst other things, the applicable food hygiene and safety and fire safety laws and regulations. Most of these licenses are subject to examinations or verifications by relevant authorities and some are valid only for a fixed period of time subject to renewal and accreditation.

We may experience difficulties or failures in obtaining the necessary approvals, licenses and permits for new restaurants. In addition, there can be no assurance that we will be able to obtain, renew and/or convert all of the approvals, licenses and permits required for our existing business operations upon expiration in a timely manner or at all. If we cannot obtain and/or maintain all licenses required by us to operate our business, planned new business operations and/or expansion may be delayed, and our ongoing business could be interrupted. We may also be subject to fines and penalties. For details, see "Business – Licenses and Regulatory Approvals."

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

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

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

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

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

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

On September 24, 2024, the State Council published the Administration Regulations on Cyber Data Security (《網絡數據安全管理條例》), which will take effect on January 1, 2025, and will apply to activities relating to the use of networks to carry out data processing activities within the territory of the PRC. Our PRC Legal Advisor advises that the Administration Regulations on Cyber Data Security are applicable to us, if those were to be implemented. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material administrative penalties or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, nor had there been material cybersecurity and data protection incidents or infringement upon any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of our knowledge in relation to cybersecurity and data protection, threatened against or relating to us. Additionally, we have a comprehensive set of internal policies, procedures and measures regarding user privacy and data security. Based on the aforementioned factors, we and our PRC Legal Advisor believe that (i) as of the Latest Practicable Date, we were in compliance with existing applicable laws and regulations relating to data security, privacy and personal information protection in all material aspects and (ii) the cybersecurity-related regulations will not have any material and adverse effect on our business operations or the Listing. If the Administration Regulations on Cyber Data Security were to be implemented, based on the foregoing and a detailed analysis of its provisions by our PRC Legal Advisor, and our commitment to carrying out data processing activities in accordance with the provisions of the Administration Regulations on Cyber Data Security when it enters into force, we and our PRC Legal Advisor do not foresee any material impediment for us to be in compliance. Based on our PRC Legal Advisor and the Joint Sponsors' PRC legal advisor's consultations with China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the "**CCRC**", currently China Cybersecurity Review, Certification and Market Regulation Big Data Center, which is the competent authority entrusted by the CAC to set up cybersecurity review consultation hotlines) on behalf of us on November 1, 2024, a listing in Hong Kong does not fall within the definition of "Foreign Listing," and therefore the obligation to proactively apply for cybersecurity review by an entity seeking listing in a foreign country shall not be applicable to the Listing.

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

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

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

Failure to comply with existing or new government regulations relating to China's catering industry, fire safety, food hygiene and environmental protection could materially and adversely affect our business and operating results.

Our business is subject to various compliance and operational requirements under PRC laws. The failure of any of our restaurants to comply with applicable laws and regulations, including laws governing our relationship with our employees, may incur substantial fines and penalties from the relevant PRC government authorities. Each of our restaurants must hold a basic business license issued by the local government authorities and must have restaurant operations within the business scope of its business license. Our business is also subject to various regulations that affect various aspects of our business in the cities in which we operate, including fire safety, food hygiene and environmental protection. Each of our restaurants must obtain various licenses and permits or conduct record filing procedures under these regulations. If we fail to cure such noncompliance in a timely manner, we may be subject to fines, confiscation of the gains derived from the related restaurants or the suspension of operations of the restaurants that do not have all the requisite licenses and permits, which could materially and adversely affect our business and results of operations. Complying with government regulations may require substantial expense, and any noncompliance may expose us to liability. In case of any noncompliance, we may have to incur significant expense and divert substantial management time to resolving any deficiencies. We may also experience adverse publicity arising from such noncompliance with government regulations that negatively impacts our brand. See also "Regulatory Overview – Laws and Regulations on Food Safety and Licensing Requirements for Catering Services" and "Regulatory Overview – Laws and Regulations on Fire Prevention".

We may be classified as a "resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences for us and our non-PRC Shareholders.

The EIT Law provides that enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. Under the EIT Implementation Rules, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise.

In addition, Issues about the Determination of Chinese-controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》國稅發[2009]82號) promulgated by the SAT on April 22, 2009 and amended in December 29, 2017, regarding the standards used to classify certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese group enterprises and established outside the PRC as "resident enterprises", clarified that dividends and other income paid by such "resident enterprises" will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when recognized by non-PRC enterprise shareholders. This circular also subjects such "resident enterprises" to various reporting requirements with the PRC tax authorities. In addition, the circular mentioned above sets out criteria for determining whether "de facto management bodies" are located in the PRC for overseas incorporated, domestically controlled enterprises. However, as this circular only applies to enterprises established outside the PRC that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of "de facto management bodies" for overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our subsidiaries. Therefore, although substantially all of our management is currently located in the PRC, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. We do not currently consider that we are a PRC resident enterprise. However, if the PRC tax authorities disagree with our assessment and determine that we are a "resident enterprise", we may be subject to enterprise income tax at a rate of 25% on our worldwide income and dividends paid by us to our non-PRC Shareholders as well as capital gains recognized by them with respect to the sale of our Shares may be subject to a PRC withholding tax. This will have an impact on our effective tax rate, a material and adverse effect on our net income and results of operations, and may require us to withhold tax on our non-PRC Shareholders.

Certain judgments obtained against us by our shareholders may be difficult to enforce.

We are an exempted company incorporated in the Cayman Islands, and all of our assets and subsidiaries are located in Mainland China. The majority of our Directors, Supervisors and senior management reside in Mainland China. Judgments rendered by Hong Kong courts may be recognized and enforced in Mainland China if the requirements set forth by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與 香港特別行政區法院相互認可和執行民商事案件判決的安排》) are met. Nonetheless, it may be difficult for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, it may be difficult for you to bring an original action against us or our resident officers and directors in Mainland China in a court of Mainland China based on the liability provisions of non-Mainland China securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of regions where we operate may render you difficult to enforce a judgment against our assets or the assets of our Directors and officers.

Although we will be subject to the Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong upon the listing of our Shares on the Stock Exchange, the holders of the Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong do not have the force of law in Hong Kong.

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

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

The remittance of Renminbi into and out of the PRC and government regulations on currency conversion may affect our ability to pay dividends and other obligations, and affect the value of your investment.

The PRC government requires the convertibility of Renminbi into foreign currencies must be subject to certain regulatory procedures, and under certain circumstances, remittances out of China are also subject to certain regulatory procedures. We receive all of our revenue in Renminbi. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations. Shortages in the availability of foreign currency may affect our ability to remit sufficient foreign currency, or otherwise satisfy our foreign currency-denominated obligations.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. If we are not able to obtain sufficient foreign currencies to satisfy our foreign currency demands due to regulatory procedures, we may not be able to pay dividends in foreign currencies to our Shareholders.

Changes in economic conditions could adversely affect our business, financial condition, results of operations, cash flows and prospects.

All of our current businesses, assets, operations and revenues are located in or derived from our operations in the PRC, and, as a result, our business, financial condition and results of operations are influenced by the overall economic environment in the PRC. Our performance is affected by China's economy, which, in turn, is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world can also possibly impact China's economy. We are unable to predict all the risks that we face as a result of current economic and regulatory developments and many of these risks are beyond our control. All such factors may materially and adversely affect our business, results of operations as well as our financial performance.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market may not develop.

Prior to the completion of the Global Offering, there has not been a public market for our Shares. An active public market may not develop or be sustained after the Global Offering. The Offer Price is the result of negotiations among us and the Overall Coordinators on behalf of the Underwriters and may not be indicative of prices that will prevail in the trading market after the Global Offering.

We have applied to list and deal in our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop or be sustained. If an active market for our Shares does not develop after the Global Offering, the market price and liquidity of our Shares may be adversely affected. As a result, you may not be able to resell your Shares at prices equal to or greater than the price paid for the Shares in the Global Offering.

The market price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in the Global Offering. The market price of our Shares may fluctuate significantly and rapidly as a result of a variety of factors, many of which are beyond our control, including:

- actual and anticipated variations in our results of operations;
- changes in securities analysts' estimates or market perception of our financial performance;
- announcement by us of significant acquisitions, dispositions, strategic alliances or joint ventures;
- recruitment or loss of key personnel by us or our competitors;
- market developments affecting us or China's catering industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- fluctuations in trading volumes or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and
- general economic, political and stock market conditions in Hong Kong, Mainland China and elsewhere in the world.

Moreover, in recent years, stock markets in general have experienced significant price and volume fluctuations, some of which have been unrelated or disproportionate to the operating performance of the listed companies. These broad market and industry fluctuations may adversely affect the market price of our Shares.

Purchasers of Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

As the Offer Price is higher than the net tangible book value per Share prior to the Global Offering, you will experience an immediate dilution in pro forma net tangible book value per Share. In addition, we may issue additional Shares or equity-related securities. If we issue additional Shares or equity-related securities in the future, the percentage ownership of our existing Shareholders may be diluted. In addition, such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

There can be no assurance if and when we will pay dividends in the future. Dividends distributed in the past may not be indicative of our dividend payments in the future.

Distribution of dividends shall be formulated by our Board of Directors at their discretion and may be subject to Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, operating and capital expenditure requirements, distributable profits as determined under IFRS, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, and any other factor determined by our Board of Directors from time to time to be relevant to the declaration of dividend payments. As a result, our historical dividend distributions are not indicative of our future dividend distribution policy. There can be no assurance whether, when and in what form we will pay dividends in the future or that we will pay dividends in accordance with our dividend policy. See "Financial Information – Dividend" for more details of our dividend policy.

Our Controlling Shareholders may exert substantial influence over our operation and may not act in the best interests of our independent Shareholders.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised, our Controlling Shareholders will control approximately 85.00% of our issued share capital. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of Directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where it is required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of us that would otherwise benefit our Shareholders. The interests of the Controlling Shareholders may not always coincide with us or your best interests. If the interests of the Controlling Shareholders conflict with the interests of us or our other Shareholders, or if the Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of us or other Shareholders, we or those other Shareholders, including you, may be disadvantaged as a result.

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

Our corporate affairs are governed by the Memorandum and the Articles, and by the Companies Law and laws of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interest of minority Shareholders could differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences could mean that the minority Shareholders could have different protections than they could have under the laws of Hong Kong.

Sale, or perceived sale, of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares.

Save for existing Shareholders who are subject to certain lock-up periods, our existing Shareholders may dispose of our Shares that they may own now or in the future. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares.

Statistics in this prospectus provided by Frost & Sullivan are subject to assumptions and methodologies set forth in the "Industry Overview."

Facts and statistics in this prospectus relating to the market and the industry in which we operate, including those relating to the economy and the global catering industry, are derived from an industry report prepared by Frost & Sullivan and commissioned by us, as well as from various official government sources. Information and statistics from official government sources have not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy and completeness. Investors should not place undue reliance on such facts or statistics.

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

This prospectus 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 could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus 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 prospectus, 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 prospectus are qualified by reference to this cautionary statement.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our industry and/or the Global Offering.

There may have been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and/or media coverage regarding us, our business, our industry and/or the Global Offering. None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other person involved in the Global Offering has authorized the disclosure of information about the Global Offering in any press or media and none of these parties accepts any responsibility for the accuracy or completeness of any such information or the fairness or appropriateness of any forecasts, views or opinions expressed by the press and/or other media regarding our Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed in any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, you should make your investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

In preparation for the Listing, we have applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong. Given that (i) our core business operations are principally located, managed and conducted in Mainland China and the Company's head office is situated in Mainland China; (ii) our executive Directors and senior management team principally reside in Mainland China; and (iii) the management and operation of the Company have mainly been under the supervision of our executive Directors and senior management, who are principally responsible for the overall management, corporate strategy, planning, business development and control of the Group's businesses and it is important for them to remain in close proximity to the Group's operation located in Mainland China, the Company considers that it would be more practical for its executive Directors and senior management to remain ordinarily resident in Mainland China where the Group has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

1. Authorized representatives: we have appointed Mr. Li Daoqing, an executive Director and vice general manager and Ms. She Mingzhu ("**Ms. She**"), the board secretary and head of general manager's office as the authorized representatives (the "**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone and email to deal promptly with enquiries from the Stock Exchange. Each of Mr. Li Daoqing and Ms. She ordinarily resides in Mainland China, and possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. See the section headed "Directors and Senior Management" in this prospectus for more information about our Authorized Representatives.

2. Directors: to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details of each of our Directors (i.e. mobile phone number, office phone number, email address and fax number (as applicable)). In the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives, so that the Authorized Representatives would be able to contact all our Directors (including the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact our Directors on any matters. To the best of our knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requested by the Stock Exchange.

3. Compliance advisor: we have appointed Altus Capital Limited as our compliance advisor (the "**Compliance Advisor**") in compliance with Rule 3A.19 of the Listing Rules. The Compliance Advisor will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of the Company with the Stock Exchange during the period from the Listing Date to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the Listing. The Compliance Advisor will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when the Authorized Representatives are not available.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules.

According to Rule 3.28 of the Listing Rules, the Company must appoint an individual, who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

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

(a) a Member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance)

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

(a) length of employment with the issuer and other issuers and the roles they played;

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

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

(d) professional qualifications in other jurisdictions.

Pursuant to Chapter 3.10 under the Guide for New Listing Applicants published by the Stock Exchange, the waiver under Rule 3.28 of the Listing Rules will be granted for a fixed period of time but in any event not exceeding three years from the date of listing (the "**Waiver Period**") and on the following conditions: (i) the relevant company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked in the event of a material breach of the Listing Rules by the Company.

We have appointed Ms. She as one of the joint company secretaries of the Company. See "Directors and Senior Management – Senior Management" in this prospectus for further biographical details of Ms. She.

Ms. She has over 10 years of experience in handling corporate, investor relationship management and administrative matters but personally does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, the Company has appointed Ms. Au Wing Han ("**Ms. Au**"), an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as one of our joint company secretaries and to provide assistance to Ms. She for an initial period of three years from the Listing Date to enable Ms. She to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. See "Directors and Senior Management – Joint Company Secretaries" in this prospectus for further biographical details of Ms. Au. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that Ms. Au will work closely with Ms. She to jointly discharge the duties and responsibilities as the company secretary of our Company and assist Ms. She in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules.

The following arrangements have been, or will be, put in place to assist Ms. She in acquiring the qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules:

(a) Ms. She will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Company's Hong Kong legal advisors on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time;

(b) Ms. Au will assist Ms. She to enable her to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as the company secretary of our Company;

(c) Ms. Au will communicate regularly with Ms. She on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Ms. Au will work closely with, and provide assistance for, Ms. She in discharging her duties as a company secretary, including organizing our Company's Board meetings and general meetings; and

(d) Prior to expiry of Ms. She's initial term of appointment as the company secretary of our Company, we will evaluate her experience and liaise with the Stock Exchange to determine if Ms. She, having had the benefit of Ms. Au's assistance for three years, has acquired the qualifications required under Rule 3.28 and Rule 8.17 of the Listing Rules so that a further waiver will not be necessary.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules. The waiver was granted for a three-year period on the condition that Ms. Au, as a joint company secretary of our Company, will work closely with, and provide assistance to Ms. She in the discharge of her duties as a joint company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules. The waiver will be revoked immediately if Ms. Au ceases to provide assistance to Ms. She as the joint company secretary for the three-year period after the Listing. In addition, Ms. She will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the Listing Date. Our Company will further ensure that Ms. She has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Before the end of the three-year period, our Company must demonstrate and seek for the Stock Exchange's confirmation that Ms. She, having had the benefits from Ms. Au's assistance during the three-year period, has attained the relevant experience under Note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the function of a company secretary, so that a waiver will not be necessary.

WAIVER IN RESPECT OF PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that there shall be an open market for the securities for which listing is sought, and that a sufficient public float of an issuer's listed securities shall be maintained. Generally, at least 25% of the issuer's total issued share capital must at all times be held by the public. Rule 8.08(1)(d) of the Listing Rules provides that the Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25%, if a new applicant meets the following requirements under Rule 8.08(1)(d) of the Listing Rules:

(a) the issuer shall have an expected market capitalization at the time of listing of over HK$10 billion;

(b) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage;

(c) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing document;

(d) the issuer will confirm the sufficiency of the public float in annual reports after listing; and

(e) a sufficient portion (to be agreed in advance with the Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.08(1) of the Listing Rules to reduce the minimum public float of the Company to the higher of (a) 15.00%, and (b) such percentage of Shares to be held by the public immediately after completion of the Global Offering, as increased by the Shares to be issued upon any exercise of the Over-allotment Option (if any).

In order to support the application of this waiver, the Company has confirmed to the Stock Exchange that:

(a) we will have an expected market capitalization at the time of Listing of over HK$10 billion;

(b) the quantity and scale of the Shares would enable the market to operate properly with a lower percentage of public float;

(c) we will make appropriate disclosure of the lower prescribed percentage of public float in this prospectus;

(d) we will announce the percentage of Shares held by the public immediately after the completion of the Global Offering (before any exercise of the Over-allotment Option) and upon any exercise of the Over-allotment Option such that the public will be informed of the minimum public float requirement applicable to the Company; and

(e) we will implement appropriate measures and mechanisms to ensure continual compliance with the public float requirements prescribed by the Stock Exchange and confirm the sufficiency of public float in successive annual reports after its Listing.

In the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, the Directors will take appropriate steps to ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC FILING

We submitted the filing application to the CSRC on January 18, 2024 and the CSRC issued the Notice of Filing on August 23, 2024 for the Global Offering and the listing of the Shares on the Stock Exchange.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 10,118,400 Offer Shares and the International Offering of initially 91,062,400 Offer Shares (subject to reallocation on the basis referred to under the section headed "Structure of the Global Offering" in this prospectus and, in case of the International Offering, to any exercise of the Over-allotment Option).

The listing of our Shares on the Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or around Wednesday, December 18, 2024. Further information regarding the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their affiliates, any of their respective directors, officers, employees, partners, agents, representatives or advisers or any other persons or parties involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on offers and sales of the Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, December 20, 2024. No part of our Shares or loan capital is listed or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on any other stock exchange as of the date of this prospectus.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Hong Kong Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Offer Shares or exercising rights attached to them. None of the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their affiliates, any of their respective directors, officers, employees, partners, agents, advisers or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposal of, or dealing in, the Offer Shares or exercising any rights attached to them.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out under the sections headed "Underwriting" and "Structure of the Global Offering" in this prospectus.

HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

Our Company's principal register of members will be maintained by its principal share registrar, Harneys Fiduciary (Cayman) Limited, in the Cayman Islands. All of the Offer Shares issued pursuant to the Global Offering will be registered on the Company's Hong Kong share register to be maintained in Hong Kong by its Hong Kong Share Registrar, Tricor Investor Services Limited. Dealings in the Shares registered in the Company's Hong Kong share register will be subject to Hong Kong stamp duty.

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong share register of the Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

ROUNDING

Certain amounts and percentage figures, such as financial data, share ownership and operating data, included in this prospectus may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

In the event of any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus prevails. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this Prospectus and for which no official English translation exists are unofficial translation and for reference only.

EXCHANGE RATE CONVERSION

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

Unless otherwise indicated (i) the translation between Renminbi and Hong Kong dollars was based on the rate of RMB1.00 to HK$1.08284, and (ii) the translation between U.S. dollars and Hong Kong dollars was based on the rate of US$1.00 to HK$7.78332.

For further information on our Directors, please refer to the section headed "Directors and Senior Management" of this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Wang Shugao (汪書高)	Room 501, Building 29 Jinyu Huafu Tongling, Anhui Province PRC	Chinese
Mr. Li Daoqing (李道慶)	No. 9002 Runfa Road Dongshan Street, Jiangning District Nanjing, Jiangsu Province PRC	Chinese
Mr. Tian Chunyong (田春永)	Room 605, Unit 2, Building 1 Wanke Golden Homestead No. 9 East Mochou Road Jianye District Nanjing, Jiangsu Province PRC	Chinese
Mr. Zhou Bin (周斌)	No. 037, Tongle Group 4 Tongle Village, Laozhou Town Zongyang County Tongling, Anhui Province PRC	Chinese
Ms. Wang Weifang (汪維芳)	Room 2004, Building 7 Tongdu Tiandi Garden No. 3888 North Section of Tongdu Avenue Tongguan District Tongling, Anhui Province PRC	Chinese
Mr. Tao Xu'an (陶旭安)	No. 17, Baobei East Group Fenghuangshan Village, Shun'an Town Yi'an District Tongling, Anhui Province PRC	Chinese
Non-executive Director		
Mr. Law Wing Cheung Ryan (羅永祥)	House 85, Windsor Heights 18 Kau To Shan Road Shatin, Hong Kong	Chinese (Hong Kong)

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Qian Mingxing (錢明星)	6-202, Huaqing Jiayuan Haidian District, Beijing PRC	Chinese
Mr. Zhu Nanjun (朱南軍)	16-3-602, Unit 4, Peking University Xiaojia River Teaching Staff Residence Malianwa Street Haidian District, Beijing PRC	Chinese
Mr. Zeng Xiaosong (曾曉松)	House 92 Boulevard Du Palais The Beverly Hills 23 Sam Mun Tsai Rd Tai Po NT Hong Kong	Chinese (Hong Kong)
Ms. Fang Xuan (方璇)	Room 6, 40/F, Block D Kam Shing Hse, Kam Tai Court 33 Ning Tai Road Ma On Shan Sha Tin District NT Hong Kong	Chinese (Hong Kong)

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
	UBS Securities Hong Kong Limited 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Overall Coordinators	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
	UBS AG Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	Guoyuan Securities Brokerage (Hong Kong) Limited 17th Floor, Three Exchange Square 8 Connaught Place Central Hong Kong
Joint Global Coordinators	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
	UBS AG Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	Guoyuan Securities Brokerage (Hong Kong) Limited 17th Floor, Three Exchange Square 8 Connaught Place Central Hong Kong

Joint Bookrunners

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Guoyuan Securities Brokerage (Hong Kong) Limited
17th Floor, Three Exchange Square
8 Connaught Place
Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

Joint Lead Managers

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
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UBS AG Hong Kong Branch
52/F, Two International Finance Centre
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45/F, Champion Tower
3 Garden Road
Central
Hong Kong

ABCI Securities Company Limited
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50 Connaught Road Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
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Hong Kong

Futu Securities International (Hong Kong) Limited
34/F, United Centre
No. 95 Queensway
Admiralty
Hong Kong

TradeGo Markets Limited
Room 3405, West Tower, Shun Tak Centre
168–200 Connaught Road
Central
Hong Kong

Capital Market Intermediaries

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
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52/F, Two International Finance Centre
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Hong Kong

Guoyuan Securities Brokerage (Hong Kong) Limited
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11/F, Agricultural Bank of China Tower
50 Connaught Road Central
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ABCI Securities Company Limited
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No. 95 Queensway
Admiralty
Hong Kong

TradeGo Markets Limited
Room 3405, West Tower, Shun Tak Centre
168–200 Connaught Road
Central
Hong Kong

Legal Advisors to the Company

As to Hong Kong and U.S. laws:
Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law:
Tian Yuan Law Firm
509, Tower A
International Enterprise Building
35 Financial Street
Xicheng District, Beijing
PRC

As to Cayman Islands law:
Harney Westwood & Riegels
3501, The Center
99 Queen's Road Central
Hong Kong

Legal Advisors to the Joint Sponsors and the Underwriters

As to Hong Kong and U.S. laws:
Freshfields
55th Floor, One Island East
Taikoo Place, Quarry Bay
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District, Beijing
PRC

Reporting Accountants and Independent Auditor

KPMG
Certified Public Accountants
8/F, Prince's Building
10 Chater Road, Central
Hong Kong

Industry Consultant

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
Room 2504, Wheelock Square
1717 Nanjing West Road
Jing'an District, Shanghai
PRC

Receiving Bank

CMB Wing Lung Bank Limited
45 Des Voeux Road Central
Hong Kong

Registered Office	4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Head Office and Principal Place of Business in China	No. 803, Building 2-B4 and B5 Big Dipper City, Tongguan District Tongling, Anhui Province PRC
Principal Place of Business in Hong Kong	Unit 15-60, Level 15, Lee Garden Two 28 Yun Ping Road, Causeway Bay Hong Kong
Company's Website	**www.xiaocaiyuan.com** *(The information on the website does not form part of this prospectus)*
Joint Company Secretaries	**Ms. She Mingzhu (佘明珠)** Room 401, Building 37, Changjiang River West Village Tongguan District Tongling, Anhui Province PRC **Ms. Au Wing Han (區泳嫻)** *(ACG)* 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	**Mr. Li Daoqing (李道慶)** No. 9002, Runfa Road Dongshan Street, Jiangning District Nanjing, Jiangsu Province PRC **Ms. She Mingzhu (佘明珠)** Room 401, Building 37, Changjiang River West Village Tongguan District Tongling, Anhui Province PRC
Audit Committee	Zhu Nanjun (朱南軍) *(Chairman)* Qian Mingxing (錢明星) Fang Xuan (方璇)
Nomination Committee	Wang Shugao (汪書高) *(Chairman)* Qian Mingxing (錢明星) Zhu Nanjun (朱南軍)

Remuneration Committee	Fang Xuan (方璇) *(Chairlady)* Wang Shugao (汪書高) Zeng Xiaosong (曾曉松)
Compliance Advisor	**Altus Capital Limited** 21 Wing Wo Street Central Hong Kong
Hong Kong Share Registrar	**Tricor Investor Services Limited** 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Cayman Islands Principal Share Registrar and Transfer Office	**Harneys Fiduciary (Cayman) Limited** 4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Principal Bankers	**Industrial and Commercial Bank of China Limited Tongling Shicheng Road Branch** No. 56 Shicheng Road Tongguan District Tongling, Anhui Province PRC
	Agricultural Bank of China Limited Tongling Tongdu Branch No. 2755, 2761 Changjiang West Road Tongguan District Tongling, Anhui Province PRC

The information and statistics set out in this section and other sections of this prospectus were extracted from the Frost & Sullivan Report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Underwriters or any other party involved in the global offering and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an Independent Third Party, to conduct a study of China's catering industry. We agreed to pay Frost & Sullivan a fee of RMB730,000 for the preparation of the Frost & Sullivan Report, and our Directors consider that such fee reflects market rates and are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the Frost & Sullivan Report. Founded in 1961, Frost & Sullivan has more than 45 global offices with more than 3,000 industry consultants, market research analysts, technology analysts, and economists. Our Directors confirm, to the best of their knowledge, and after making reasonable enquiries, that there have been no adverse changes in the industry since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information set out in this section.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan conducted primary research that involved discussing the status of the industry with industry participants and industry experts, as well as secondary research that involved reviewing company reports, independent research reports and Frost & Sullivan's own database.

The Frost & Sullivan Report was compiled based on the following assumptions: (i) according to International Monetary Fund, China's and the overseas economy are likely to maintain steady growth in the next decade; (ii) China's social, economic and political environment is likely to remain stable in the forecast period; and (iii) market drivers, including without limitation to the development of the economy and an increasing urbanization rate, changes in demographic structure and shifts in customer demands, the rise of the penetration rate of chain restaurants in China and the popularity of mass Chinese cuisine, are likely to drive the development of China's catering industry.

CHINA'S CATERING INDUSTRY OVERVIEW

The catering industry refers to the commercial activities of cooking, preparing, and selling food to consumers in specific locations. The catering sector is one of the largest consumption markets in China.

The catering industry in China can be categorized into two major types of cuisine: (i) Chinese cuisine, (ii) non-Chinese cuisine, including French cuisine, Italian cuisine, Mexican cuisine, Japanese cuisine, and all styles of cuisines other than Chinese cuisine.

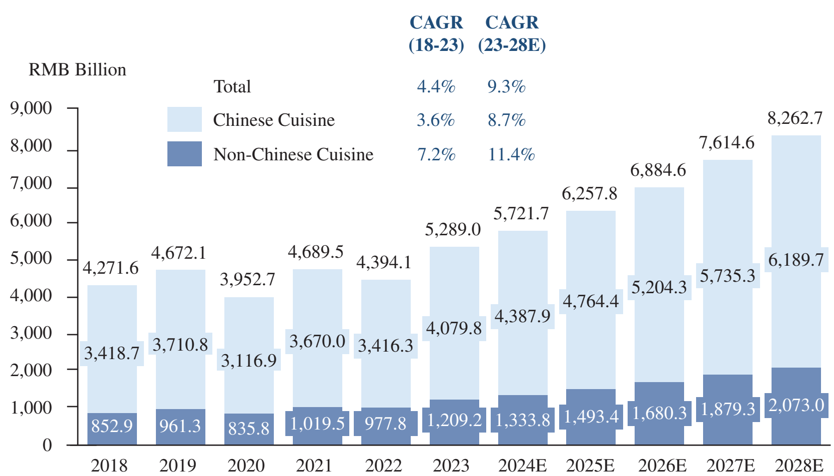
Chinese cuisine includes cuisines from different provinces of China, including, but not limited to, hotpot, Sichuan cuisine, Anhui cuisine and Cantonese cuisine. Compared with other cuisines, Chinese cuisine exhibits remarkable regional diversity and significant seasonal variations. Chinese cuisine is usually served in the form of communal dining, where people are seated at one table and share dishes from the same plates. Dishes are cooked and prepared in the kitchen before being served to consumers.

Market Size of China's Catering Market

Despite the challenges brought about by the COVID-19 pandemic to the catering market in China, its market size measured by revenue grew in the past several years from RMB4,271.6 billion in 2018 to RMB5,289.0 billion in 2023, representing a CAGR of approximately 4.4% from 2018 to 2023. China had the second largest catering market in 2023 globally. The market size of China's catering market decreased in 2020 due to the COVID-19 pandemic, but the market has recovered in 2023. The Chinese cuisine market is the largest catering sector in China, accounting for 77.1% of the total market size of China's catering market in 2023.

The market size of China's catering market is expected to continue to grow over the next few years and reach RMB8,262.7 billion in 2028, with a CAGR of approximately 9.3% from 2023 to 2028, primarily driven by the increasing household expenditure, the faster pace of social life, the rising urbanization rate, the rapid growth of the food delivery industry and the digital technology development in this market.

The following table sets forth the breakdown of the market size, measured by revenue, of China's catering market by cuisine type from 2018 to 2028.



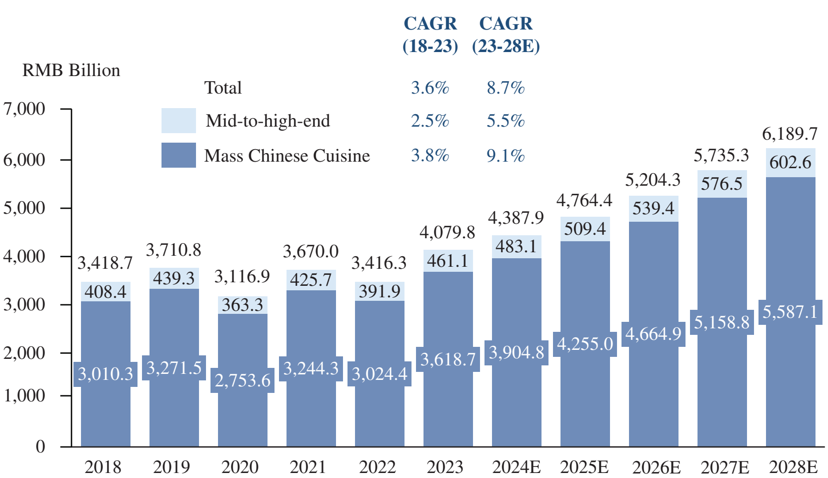
Source: Frost & Sullivan

Market Size of China's Chinese Cuisine Market

The Chinese cuisine market in China can be divided into two sub-segments, namely the mass Chinese cuisine market and the mid-to-high-end Chinese cuisine market. According to Frost & Sullivan, the mass Chinese cuisine market is a sub-segment of Chinese cuisine market with average spending per consumer below RMB100. On the other hand, the mid-to-high-end Chinese cuisine market is a sub-segment of the Chinese cuisine market with average spending per consumer at RMB100 and above. The mass Chinese cuisine market is the largest sector of the Chinese cuisine market in China in 2023, accounting for approximately 88.7% of the total market size. The market size of the mass Chinese cuisine market measured by revenue increased from RMB3,010.3 billion in 2018 to RMB3,618.7 billion in 2023, representing a CAGR of approximately 3.8% from 2018 to 2023.

The market size of the Chinese cuisine market is expected to reach RMB6,189.7 billion in 2028, with a CAGR of approximately 8.7% from 2023 to 2028. In light of the growing demand for quality food and convenient service at affordable prices, the size of the mass Chinese cuisine market in China is expected to reach RMB5,587.1 billion in 2028, with a CAGR of approximately 9.1% from 2023 to 2028.

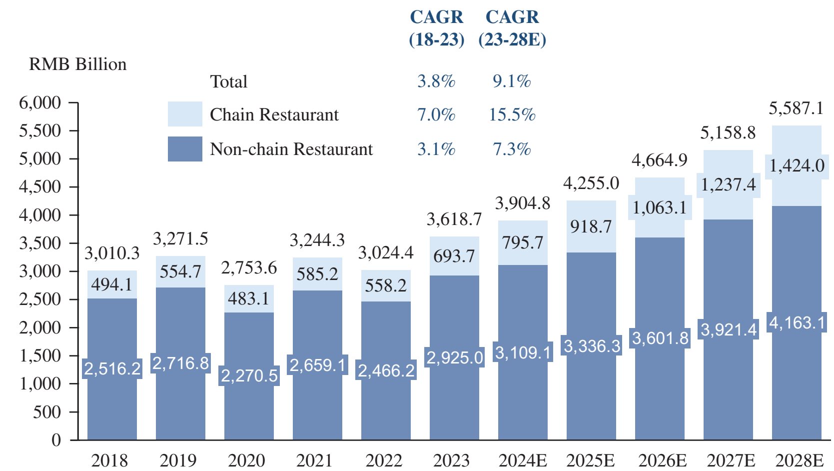
The following table sets forth the breakdown of the market size of China's Chinese cuisine market by average spending per consumer from 2018 to 2028.



Source: Frost & Sullivan

The chain restaurants contributed to approximately 19.2% of the mass Chinese cuisine market in China in 2023. The rise of the penetration rate of chain restaurants is closely connected to urbanization. Since the 1990s, China's rapid economic growth has propelled an unprecedented urbanization and urban residents with fast-paced lifestyle prefer dining out in restaurants, among which chain restaurants have demonstrated their advantages in offering products of consistent quality and strong brand awareness. In 2023, the penetration rates of chain restaurants in the United States and Japan were 60.1% and 52.4% in terms of revenue contribution respectively, far exceeding that of China. China harbors considerable unexploited potential for augmenting the ratio of chain restaurants among all mass Chinese cuisine restaurants. With the development of technology and management capabilities in the chain mass Chinese cuisine restaurant market, its market size by revenue grew rapidly from RMB494.1 billion in 2018 to RMB693.7 billion in 2023, representing a CAGR of approximately 7.0%, outpacing the growth rate of the non-chain restaurant market. Thanks to efficient management capabilities, well-established supply chain, higher level of standardization and stronger capital support, the chain restaurant market is expected to grow rapidly in the future, reaching approximately RMB1,424.0 billion in 2028 at a CAGR of 15.5%.

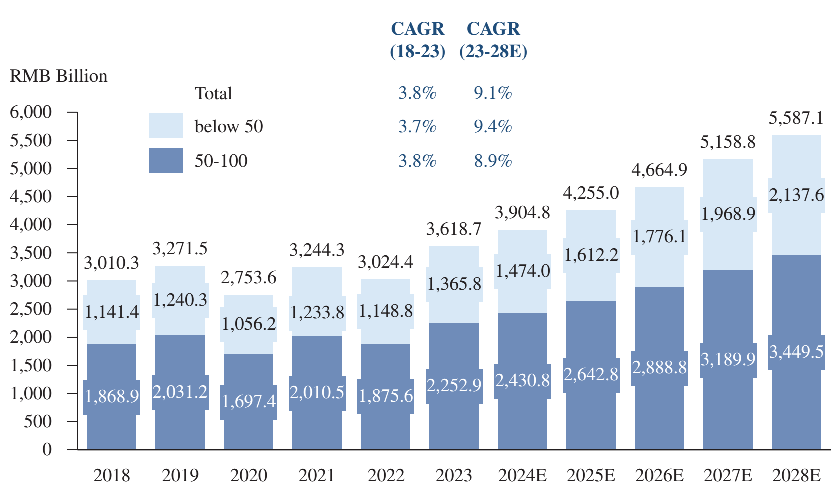
It is expected that chain restaurants will account for approximately 25.5% of the mass Chinese cuisine market in terms of revenue in China in 2028. The following table sets forth the breakdown of the market size of the mass Chinese cuisine market by operating model from 2018 to 2028.



Source: Frost & Sullivan

The mass Chinese cuisine market could be further divided into two sub-segments with average spending per consumer below RMB50 and between RMB50 and RMB100. The market size measured by revenue of the sub-segment with average spending per consumer below RMB50 increased from RMB1,141.4 billion in 2018 to RMB1,365.8 billion in 2023, representing a CAGR of approximately 3.7% from 2018 to 2023, and is expected to grow at a CAGR of 9.4% from 2023 to 2028. The market size measured by revenue of the sub-segment with average spending per consumer between RMB50 and RMB100 increased from RMB1,868.9 billion in 2018 to RMB2,252.9 billion in 2023, representing a CAGR of approximately 3.8% from 2018 to 2023, and it is expected to grow with a CAGR of 8.9% from 2023 to 2028.

The following table sets forth the breakdown of the market size of China's mass Chinese cuisine market by average spending per consumer from 2018 to 2028.



Source: Frost & Sullivan

Market Drivers and Future Trends of China's Catering Industry

Economic Development and Increasing Urbanization Rate

The development of the Chinese economy, coupled with the increasing urbanization rate in China, drive the growth of China's catering industry. The urbanization rate in China increased from 59.6% in 2018 to 66.2% in 2023, leading to more people moving to urban areas and an increasing demand for catering services. China's per capita disposable income for the urban household increased from RMB39,300 in 2018 to RMB51,800 in 2023, representing a CAGR of 5.7% from 2018 to 2023. In addition, China's per capita food consumption expenditure increased from RMB5,600 in 2018 to RMB8,000 in 2023, representing a CAGR of 7.4% from 2018 to 2023.

In line with the increasing urbanization rate in China, according to Frost & Sullivan, the urban population of second-tier cities has experienced steady growth, increasing from 142.5 million in 2018 to 169.3 million in 2023, and accounting for 18.2% of the total urban population in China in 2023. The per capita annual disposable income of urban households in second-tier cities also increased from RMB44.3 thousand in 2018 to RMB58.6 thousand in 2023 with a CAGR of 5.8%, exceeding the national average CAGR for the per capita annual disposable income for the urban household of 5.7% during the same period. As a result, the purchasing power of residents in second-tier cities has been increasing, with consumers more capable and willing to spend when they dine out. From 2018 to 2023, per capita food consumption expenditure in second-tier cities has increased with a CAGR of 8.1%, exceeding the national average CAGR for the per capita food consumption expenditure of 7.4% during the same period. In addition, the urban population in third-tier cities has grown from 208.5 million in 2018 to 222.7 million in 2023 with a CAGR of 1.3%, accounting for 23.9% of the total urban population in China in 2023. The large size of population base in third-tier cities represents substantial market potential. Also, there has been a steady growth of the purchasing power of urban residents in third-tier cities as the per capita annual disposable income of urban household thereof increased from RMB33.7 thousand in 2018 to RMB44.8 thousand in 2023, representing a CAGR of 5.9%, exceeding the national average CAGR for the per capita annual disposable income for the urban household of 5.7% during the same period. In addition, the per capita food consumption expenditure in third-tier cities has increased with a CAGR of 8.0% from 2018 to 2023, exceeding the national average CAGR for the per capita food consumption expenditure of 7.4% during the same period.

Meanwhile, the per capita annual disposable income of urban households in first-tier cities, new first-tier cities, and fourth-tier cities and below has also increased from 2018 to 2023 with a CAGR of 5.6%, 5.8% and 4.1%, respectively, and the CAGR during the same period for the per capita food consumption expenditure thereof was 5.7%, 6.3% and 6.6%, respectively.

Thus, the significant population size in second-tier cities and third-tier cities provides a broad customer base for catering companies. The continuously increasing disposable income indicates a growing demand for catering services, especially in second-tier cities where consumers have higher spending power and willingness to consume. Furthermore, second-tier and third-tier cities generally offer relatively lower rents and labor costs compared to first-tier cities and new first-tier cities, providing a higher cost-effectiveness ratio for catering businesses.

Changes in Demographic Structure and Shifts in Consumer Demands

China's catering industry is directly influenced by the changes in China's demographic structure, including increasingly prevailing smaller-sized families, declining birth rates and higher aging rates, collectively driving the demand for both dine-in and delivery catering services. Two-or three-person families as a percentage of the total number in China increased from 68.4% in 2018 to 75.7% in 2023. In addition, China's birth rate declined from 10.9‰ in 2018 to 6.4‰ in 2023. In large-sized families, older members, such as grandparents, often assume the responsibility of cooking due to having more available time. Conversely, small-sized families typically consist of young parents with fast-paced lifestyles, leaving them with limited time for cooking after work. Consequently, small-sized families exhibit a decreased inclination to cook meals at home compared to large-sized families. As the number of small-sized families continues to rise, it is likely to result in an increased reliance on restaurants for dining in or utilizing food delivery services. An increasing number of consumers choose restaurants within their neighbourhoods as an alternative to cooking at home, creating vast opportunities for the local catering service providers. Such changes in demographic structure and shifts in consumer demands provide a considerable new market for the players in the Chinese catering industry. In addition, Chinese consumers today have more sophisticated demands and higher expectations for the dishes and services provided by restaurants. Only catering companies that consistently deliver high-quality products and services are able to achieve high consumer retention and loyalty in the long term.

Rise of the Penetration Rate of Chain Restaurants in China

In 2023, the penetration rate of chain restaurants in China's catering industry was 21.5% in terms of revenue contribution as compared to 60.1% in the United States, leaving ample room for the Chinese chain restaurants to grow. Particularly, the penetration rate of chain restaurants in lower-tier cities is lower than that of in the first-tier cities in China. In 2023, the penetration rate of chain restaurants in lower-tier cities in China was generally below 15%, presenting favorable conditions for the development of chain restaurant brands thereof. With its considerable consumer base, China's catering industry is likely to be dominated by leading brands operated under the chain restaurant model. Certain chain restaurant companies, especially those leading restaurant brands, grew rapidly in recent years by applying and replicating the chain restaurant operation model. In addition, with the trend that Chinese consumers are raising the expectations for food quality and services, market players with strong brand influence are more likely to fully address consumers' demands, consequently attracting more consumers and enhancing their loyalty to their brands. The development of the chain restaurant operation model also encourages leading restaurant operators to enhance their brand building and reinforce their advantages so as to stand out in the competitive catering industry. Furthermore, the chain restaurant operation model promotes the standardization in China's catering industry and ensures the consistency of food quality and service experience across the chain restaurant network. Leading chain restaurant companies take various measures to standardize their operations, such as standardized management of food ingredients procurement, inventory management and dish preparation processes. With the gradually increasing penetration rate of chain restaurants in China's catering industry, consumers are expected to show higher stickiness to leading brands under the chain restaurant model, which would further accelerate their pace of expansion and increase their market shares. The penetration rate of chain restaurants in China's catering industry is projected to reach 25.6% in 2028 in terms of revenue.

The Popularity of Mass Chinese Cuisine

On the demand side, the mass Chinese cuisine market caters to the broad and regular demand for affordable dining experiences. Market demand is a crucial variable affecting industry development. Currently, there exists an objective environment where products or services are not sufficiently adapted to consumer demand. As such, mass Chinese cuisine, by providing affordable dining options, is widely accepted and has gained popularity among consumers with relatively moderate and low income and purchasing power. Consumers' preference for products and services of good quality at affordable price have raised demanding requirements for catering companies. Therefore, by meeting the evolving demands from consumers for affordable dining experiences, the development of mass Chinese cuisine has become a significant driver for China's catering industry.

On the supply side, the mass Chinese cuisine market has gained popularity among consumers, since mass Chinese cuisine is a fusion of representative cuisines from various regions of China, reflecting the rich culinary traditions of Chinese cuisine and reminding customers of the flavor of home and traditional culture. The diversified dishes provided in the mass Chinese cuisine market allow customers to enjoy a wide range of choices. In addition, due to the advanced standardization management system and strong supply chain capability, dishes of mass Chinese cuisine are typically priced at a level enabling the reach of broader consumers. Furthermore, its balanced and diversified menu makes it an ideal option for casual friends and family gatherings.

Development of Digital Technology Empowerment

The catering industry has evolved into a complex retail model over the years. With the rapid development of the Internet and the e-commerce industry, market players in China's catering industry have been increasingly focusing on developing their information technology capabilities in recent years. In the era of the Internet, thanks to advanced digital technologies, there are no longer clear boundaries in relation to online and offline consumption scenarios, and consumers are able to receive comprehensive services from both online and offline channels. The use of information technology in China's catering industry, such as mobile payment services and online to offline retail services, also diversifies the consumption scenarios for restaurants. In addition, leveraging the latest digital technologies, leading chain restaurant operators have gradually integrated information technology in their daily restaurant operations, membership management and supply chain management. For example, business intelligence platform plays an important role in the decision-making process, assisted by digital tools. Furthermore, various advanced technologies and facilities are widely used in China's catering industry, such as cooking robots, smart camera systems, AI self-checkout machines, and smart energy consumption management systems. As such, the development of digital technology empowerment in the catering industry is expected to drive further enhancement of the omni-channel operation capabilities of restaurants.

Favorable Government Policies

The Chinese government has issued a series of favorable policies to promote the sound development of the catering industry and the standardization thereof, such as the Implementation Rules and the 14th Five-Year Plan for Food Safety Standards and Monitoring Evaluation (《食品安全標準與監測評估"十四五"規劃》). In October 2022, the General Office of the Ministry of Housing and Urban-Rural Development and the Ministry of Civil Affairs jointly issued the Notice on Carrying Out Pilot Projects for Comprehensive Community Construction (《關於開展完整社區建設試點工作的通知》), which proposed that to meet the daily life needs of residents, convenient commercial service facilities such as restaurants, should be included in the supporting facilities for community construction. In July 2023, the National Development and Reform Commission proposed 20 targeted measures in the Measures for Restoring and Expanding Consumption (《關於恢復和擴大消費的措施》). The Measures have explicitly mentioned the expansion of catering consumption, the development of the model of farm and breeding base + central kitchen + cold chain logistics + catering outlets, and the enhancement of the quality of catering and the standardization of distribution. Leading chain restaurants with large business scale and well-established standardization systems are more likely to increase their market share under such a favorable policy environment. In addition, with strengthened government policy guidance, players in the catering industry are encouraged and guided to achieve standardized, safe and advanced operations.

Growing Significance of Food Safety and Cost Control

Supply chain capabilities in the catering industry are vital to the management of food safety and cost control. Robust supply chain management capabilities allow catering companies to take control of food safety throughout the entire supply chain, from food ingredients sourcing and transportation to storage. In addition, comprehensive supply chain management capabilities of a catering company can help reduce procurement costs and improve inventory management efficiency, thereby enabling it to efficiently expand its business in a highly competitive market and cope with increasing operating costs. Furthermore, the development of supply chain in the catering industry further promotes the standardization of the industry. Therefore, investments and innovations in supply chain management drive the overall development of China's catering industry.

Development of Chinese Cuisine Community Catering Industry

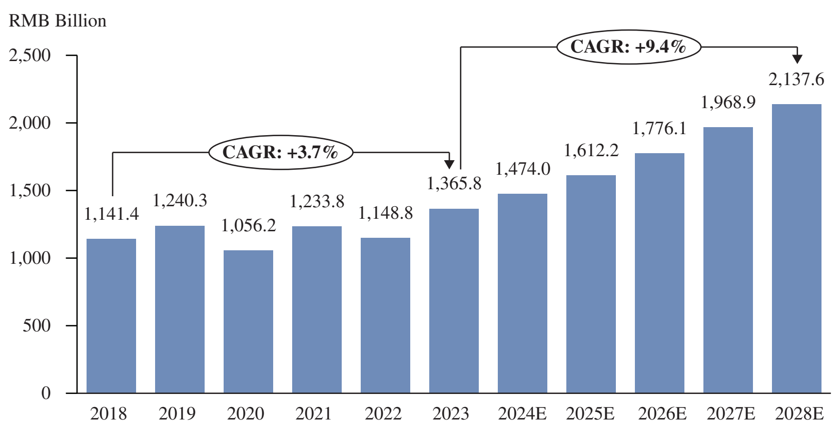
As an available option that caters to customer base across all age groups, Chinese cuisine community catering refers to Chinese cuisine with average spending per consumer below RMB50, generally located near local communities, workplace areas and commercial districts. Chinese cuisine community catering is an integral part of the China's catering industry. Chinese cuisine community catering provides affordable, convenient, efficient and regular dining experiences for a wide range of people of all ages, serving as an robust alternative to their home kitchen. Chinese cuisine community catering market directly impacts people's daily lives, and has stable customer base within the communities, serving basic needs of consumers for daily meals, covering scenarios of work meals and family dining.

China's Chinese cuisine community catering industry achieved rapid growth in recent years, with its market size increasing from RMB1,141.4 billion in 2018 to RMB1,365.8 billion in 2023, representing a CAGR of 3.7% from 2018 to 2023. Before the pandemic, from 2018 to 2019, the growth rate of the community catering industry was approximately 8.7%.

The market drivers of Chinese cuisine community catering industry include the commercialization of communities, increasing urbanization rate in China, favorable government policies, aging population in China, declining birth rates, smaller family sizes, changes in consumer consumption habits, and development of the industry's infrastructure.

As China's catering industry gradually recovers with the phasing-out of the pandemic, it is expected that the market size of Chinese cuisine community catering is expected to reach RMB2,137.6 billion by 2028, with a projected CAGR of 9.4% from 2023 to 2028.

The following table sets forth the market size of China's Chinese cuisine community catering industry from 2018 to 2028.



Source: Frost & Sullivan

Increasing Customer Base of Chinese Cuisine in Overseas Market

The increasing overseas Chinese communities contribute a substantial customer base to Chinese cuisine industry. Overseas Chinese communities maintain a strong emotional connection to Chinese cuisines. With deep understanding of the tastes and culture of Chinese cuisines, they appreciate and have a strong preference to Chinese cuisines in their daily life. In addition, the diversification and taste of Chinese cuisine attracts international consumers. Chinese cuisine gains its popularity worldwide with its special and outstanding flavours and is regarded as one of the mainstream cuisines in overseas market. Furthermore, some Chinese cuisine chains have successfully established their businesses in overseas market. Their achievements have demonstrated the potential of Chinese cuisine in the overseas market, encouraging more players to accelerate their expansion plans in overseas market. As such, there is promising room in overseas markets for Chinese cuisine industry. In 2023, the global Chinese cuisine market reached a total size of RMB6,449.2 billion, with overseas market contributing approximately RMB2,369.4 billion or approximately 36.7% of the market size.

Competitive Landscape

China's mass Chinese cuisine market could be divided into sub-segments with average spending per consumer below RMB50 and between RMB50 and RMB100. In 2023, the market size of the mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100 accounted for approximately 62% of the total mass Chinese cuisine market in terms of revenue. In terms of the restaurant revenue for 2023, *Xiaocaiyuan* ranked first among all brands in China's mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100.

The following table sets forth the top five brands in China's mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100 measured by restaurant revenue.

Ranking	Brand	Restaurant Revenue in 2023 (RMB Billion)	Market Share in 2023 (%)
1	**Xiaocaiyuan**	**4.51**	**0.2%**
2	Brand A	4.47	0.2%
3	Brand B	3.59	0.2%
4	Brand C	3.02	0.1%
5	Brand D	1.96	0.1%
	Top 5	**17.55**	**0.8%**
	Others	**2,235.35**	**99.2%**
	Total	**2,252.90**	**100%**

Source: Frost & Sullivan

Note: (1) Restaurant revenue refers to the aggregate restaurant revenue from restaurants, including revenue generated from dine-in customers and customers from delivery business.

(2) Brand A is Tai Er and is a major brand under a company listed on the Hong Kong Stock Exchange, which was established in 2019 and is headquartered in Guangzhou, Guangdong Province, China. This brand is a Chinese Sichuan-flavored restaurant brand that specializes in sauerkraut fish, and it operated over 500 restaurants in China by the end of 2023. Its stores' locations cover major cities in China, and it also operates in Singapore, Canada, the United States and other countries. The average spending per consumer of this brand is about RMB70-RMB80.

(3) Brand B is a major brand under a non-listed company which was established in 2015 and is headquartered in Hangzhou, Zhejiang Province, China. This brand had over 300 stores in China. The brand is a chain restaurant brand that focuses on providing consumers with dishes featuring Jiangsu cuisine and Zhejiang cuisine. The average spending per consumer of this brand is about RMB50-RMB70.

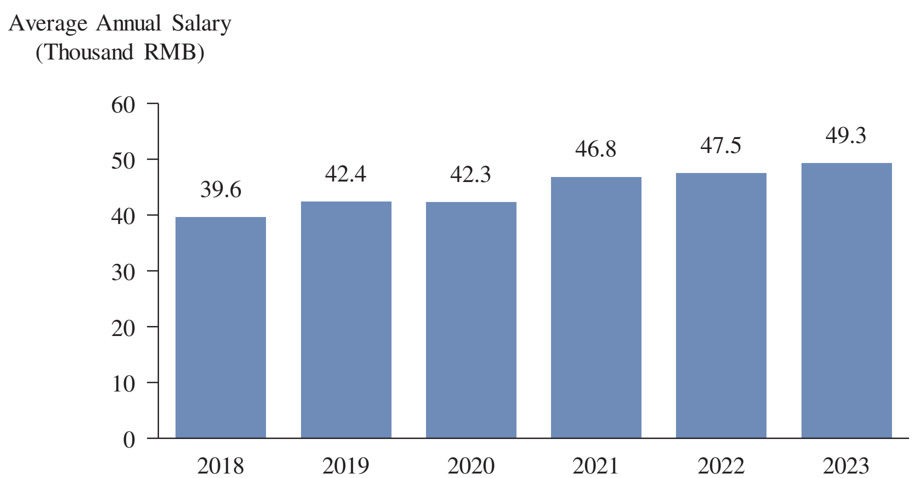
(4) Brand C is Xiabuxiabu and is a major brand under a company listed on the Hong Kong Stock Exchange, which was established in 2008 and is headquartered in Beijing, China. This brand had over 800 stores in China. The brand specializes in bar-style hotpot with a chain restaurant model. The average spending per consumer of this brand is about RMB50-RMB70.

(5) Brand D is a major brand under a non-listed company that was established in 2002 and is headquartered in Hangzhou, Zhejiang Province, China. This brand had over 100 stores in China. The brand is a chain restaurant brand that focuses on providing consumers with dishes featuring Jiangsu cuisine and Zhejiang cuisine. The average spending per consumer of this brand is about RMB70-RMB100.

Cost Analysis of China's Catering Industry

In line with the growing economy of the PRC, the annual income of employees in the catering industry in China increased steadily from 2018 to 2023. Labor costs are expected to increase in the next five years due to economic growth and improving disposable income. Going forward, the average annual salary of employees in the catering industry in China is expected to increase in line with the growing nominal GDP of China.

The following table sets forth the average annual salary of employees in the catering industry in China between 2018 to 2023.

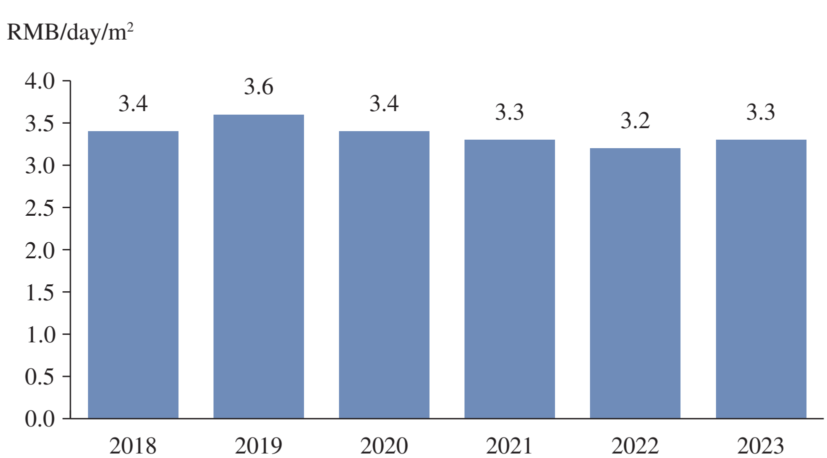


Source: National Bureau of Statistics, Frost & Sullivan

Note: Annual salary refers to average annual salary of private sector employees in the accommodation and catering markets.

Rental costs for retail properties are considered one of the major costs for a catering company in China. The average rental fee rate for retail properties in the PRC has slightly decreased from RMB3.4 per sq.m. per day in 2018 to RMB3.3 per sq.m. per day in 2023, representing a CAGR of -0.6%.

The following table sets forth the average rental fee rate for retail properties in China between 2018 to 2023.

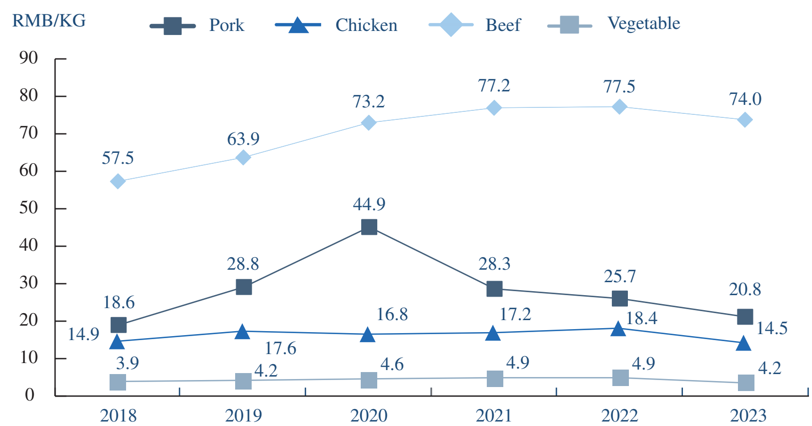


Source: National Bureau of Statistics, Frost & Sullivan

The food ingredients purchased by catering companies generally include pork, beef, chicken and vegetables. Some of the average prices of these food ingredients have experienced a growing trend in recent years. For example, the average price of beef increased from RMB57.5 per kilogram in 2018 to RMB74.0 per kilogram in 2023, mainly due to consumers' increasing demand in China.

Along with growing income levels and a rising interest in personal health, it is expected that the average price of raw food ingredients will increase in the foreseeable future.

The following table sets forth the average prices of food ingredients in China between 2018 to 2023.



Source: National Bureau of Statistics, Frost & Sullivan

Note: (1) Price hereof refers to the wholesale price; (2) The average wholesale price of vegetables is the average wholesale price of 28 types of vegetable in China.

Entry Barriers of the Mass Chinese Cuisine Market in China

Brand Awareness

Generally, brand awareness is highly related to taste, food safety, service quality and dining environment, in addition, customer's loyalty to a brand is directly influenced by their dining experiences. As such, restaurant companies with well-established brands are more likely to attract more consumers and increase their market share. For new entrants in the industry, to establish brand awareness in the short term may require a significant amount of resources.

Supply Chain Management

The quality of catering services closely depend on the freshness and quality of food ingredients. Supply-chain management capabilities are crucial for a catering companies, such as procuring healthy, fresh and quality food ingredients at favorable prices from reliable suppliers, effective inventory management and efficient logistics arrangement. Most of the leading catering companies in China have started to establish and enhance their own supply chain infrastructures, and new entrants in the industry with less supply chain management experience may not be able to compete with others efficiently.

Food Safety

Food safety has become one of the top priorities in China's catering industry, and both consumers and government have particularly pay attention on the food safety issues in recent years. Consumers have higher expectations for the quality of food ingredients and the process of food preparation. The Chinese government has published strict laws and regulations on food safety, and detailed measures to guide and regulate food safety issues. All market players have to put additional effort to ensure food safety. With accumulated operating experience, leading catering companies in China are capable of effectively managing their food safety inspection process, while new market entrants in the industry may find it difficult to fully and timely comply with all regulatory and industrial standards at their start-up stage.

Innovation and R&D Investment

Innovations in menu development and restaurant management are important for China's catering companies to remain competitive in the market, and meet the evolving and diversified demands of the market. New technologies are playing important roles in improving dining experiences and optimizing restaurant operations, and as such, catering companies that invest in technology infrastructure and adopt new technologies generally are able to streamline operations, reduce costs and achieve economies of scale, and ultimately provide comprehensive experiences for both dine-in customers and delivery customers. Advanced technology enhances standardization, providing a competitive edge for companies with substantial investments in technology and robust operational capabilities, ensuring long-term success. Innovation and R&D investments may be entry barriers for new entrants in the industry, since they may find it difficult to advance and optimize their technology in the short term.

LAWS AND REGULATIONS ON FOREIGN INVESTMENT IN CATERING SERVICES INDUSTRY

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 Edition) (the "**Negative List**", 《外商投資准入特別管理措施(負面清單)(2024年版)》) promulgated on September 6, 2024 and came into effect on November 1, 2024, the catering industry falls into the industries where foreign investment is not prohibited or restricted.

The Foreign Investment Law of the PRC (the "Foreign Investment Law", 《中華人民共和國外商投資法》) was promulgated by the NPC of the PRC on March 15, 2019, which came into force as of January 1, 2020. Under the Foreign Investment Law, the PRC adopts a system of pre-entry national treatment plus negative list with respect to foreign investment administration. Foreign investment and domestic industries outside the scope of the negative list would be treated equally.

LAWS AND REGULATIONS ON FOOD SAFETY AND LICENSING REQUIREMENTS FOR CATERING SERVICES

The Food Safety Law and Implementation Rules

In accordance with the Food Safety Law of the PRC (the "**Food Safety Law**",《中華人民共和國食品安全法》), which was promulgated on February 28, 2009 and amended on April 24, 2015 and December 29, 2018 and April 29, 2021, respectively, food producers and traders must be liable for the safety of the food produced or traded by them and shall produce and trade food in accordance with relevant laws, regulations and food safety standards. Food producers and traders must ensure food safety, act in good faith and be self-disciplined, be accountable to society and the public, accept public supervision, and comply with their social responsibilities.

The Implementation Rules of the Food Safety Law (the "**Implementation Rules**",《中華人民共和國食品安全法實施條例》), which further specify the detailed measures to be taken and conformed to by food producers and business operators in order to ensure food safety, were promulgated on July 20, 2009 and came into effect on the same date, and were amended on February 6, 2016 and March 26, 2019, respectively. The Implementation Rules, which came into effect on December 1, 2019, introduced extra regulatory measures such as conducting random supervisory checks, improving the food safety violation reporting reward system, and establishing a blacklist system for food producers and business operators with serious food safety violations and a joint punishment mechanism against discreditable acts. The Implementation Rules state that food producers and operators have primary responsibility for food safety, detail the responsibilities of principals of enterprises, standardize food storage and transportation requirements, forbid false publicity of food, and optimize the administrative system for special food. The Implementation Rules also provide for strict legal liabilities for violating food safety-related laws and regulations.

In accordance with the Food Safety Law and the Implementation Rules, with the purpose of guaranteeing food safety and safeguarding the health and safety of the public, the PRC has set up a system for supervision, monitoring and appraisal of food safety risk, compulsory adoption of food safety standards, operating standards for food production, food inspection, food export and import and food safety accident response. Providers of food circulation services and consumer food services must comply with the aforementioned law and rules.

According to the Food Safety Law, the State Council shall establish a food safety committee whose duties shall be defined by the State Council. The food safety administration under the State Council shall exercise supervision and administration over food production and trading activities according to the duties defined by the Food Safety Law and the State Council itself. The health administrative department under the State Council shall organize the implementation of risk monitoring and risk assessment of food safety according to the duties defined by the Food Safety Law and the State Council, and shall formulate and issue national food safety standards together with the food and drug administration under the State Council. Other relevant departments under the State Council shall carry out relevant food safety work according to the duties defined by the Food Safety Law and the State Council.

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

Food Operation Licensing System

Pursuant to the Food Safety Law, the State implements a licensing system for food production and trading. A person who engages in food production, food selling or catering services must obtain a license in accordance with the law.

On June 15, 2023 the State Administration for Market Regulation promulgated the Administrative Measures for Food Operation Licensing and Record-filing (《食品經營許可和備案管理辦法》), and came into effect on December 1, 2023. According to the Administrative Measures for Food Operation Licensing and Record-filing, a food operation license must be obtained in accordance with the law to engage in food selling and catering services within the territory of the PRC. A food operator shall obtain a food operation license or make record-filing to engage in food operation activities at one operation site. Applications for food operation licensing shall be filed according to food operators' types of operation and operation items classification. Types of operation of food operators are divided into food sales operators, catering service operators and canteens of concentrated meal service providers. Food operation items are divided into three categories, namely food sales, catering services and food operation management.

The issuance date of a food operation license is the date when the decision on granting the license is made, and the license is valid for five years. Food operators shall hang or place their food operation license originals in prominent places of their operation sites. Where the licensing items which are indicated on a food operation license change, the food operator shall, within ten working days after the changes take place, apply to the market regulatory authority which originally issued the license for alteration of the operation license. Where food operators need to extend the validity period of their lawfully obtained food operation license, they shall file applications with the market regulatory authority which originally issued the license within the period from 90 working days to 15 working days before its expiry. Those who fail to obtain a food operation license and engage in food operation activities shall be punished by the local market regulatory authorities at or above the county level according to Article 122 of the Food Safety Law. Where there is any change to the type of operation, operation item or other licensing matters indicated in a food operation license, and the food operator fails to apply for the alteration as required, the local market regulatory authority at or above the county level shall punish it according to Article 122 of the Food Safety Law.

Online Catering Services

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

Regulations On the Sanitation of the Public Assembly Venue

The Regulation for the Administration of Sanitation of the Public Assembly Venue (《公共場所衛生管理條例》) effective on April 1, 1987 and as amended on February 6, 2016 and April 23, 2019, and the Implementation Rules for the Regulation for the Administration of Sanitation of the Public Assembly Venue (《公共場所衛生管理條例實施細則》) effective on May 1, 2011, and as amended on January 19, 2016 and December 26, 2017, were promulgated by the State Council and the Ministry of Health (later known as National Health Commission of the PRC) respectively. The said regulations were adopted to create favorable and sanitary conditions for the public assembly venues, prevent disease transmission and safeguard people's health. Depending on the requirements of the local health and family planning administrations, a restaurant is required to obtain a public assembly venue hygiene license from the local health authority after it applies for a business license to operate its business.

The Decision of the State Council on the Integration of Health permits and Food Business licenses in Public places for Restaurant Services (《國務院關於整合調整餐飲服務場所的公共場所衛生許可證和食品經營許可證的決定》), which was promulgated by the State Council on February 3, 2016, cancels the hygiene permits issued by the local health authorities to four kinds of public places, such as restaurants, cafes, bars and teahouses, and integrates the contents of the food safety permits into the food business licenses issued by the food and drug regulatory authorities.

Food Recall System

China Food and Drug Administration (now merged into the State Administration for Market Regulation) promulgated the Administrative Measures for Food Recall (the "**Administrative Measures for Recall**", 《食品召回管理辦法》) on March 11, 2015, which became effective on September 1, 2015 and amended on October 23, 2020. According to the Administrative Measures for Recall, where food operators find that the food involved thereby is unsafe, they must immediately suspend the operations, inform relevant food producers and operators of the suspension of production and operation, recommend consumers stop eating, and take necessary measures to prevent and control food safety risks. Food producers knowing that any food produced and traded thereby is unsafe must voluntarily recall such food. Food producers and operators must faithfully record the name, trademark, specification, production date, batch number, quantity and other contents of unsafe food subject to the suspension of production and operation, recall and disposal. Records must be kept for at least two years. Where food operators violate the Food Safety Law and the Administrative Measures for Food Recall and do not immediately suspend operation or voluntarily recall unsafe food, follow the prescribed time limit to activate recall procedures, recall unsafe food products in accordance with the recall plan or dispose of unsafe food products, the food and drug administrative authorities shall issue warnings to them and impose fines between RMB10,000 and RMB30,000 on them.

Regulations on Liquor Circulation

The Guidance of Ministry of Commerce on Promoting Healthy Development of Liquor Circulation for the "13th Five-Year" Period (《商務部關於"十三五"時期促進酒類流通健康發展的指導意見》), which was promulgated by the MOFCOM on February 13, 2017, stipulates the elimination of the regional blockade of alcohol, to clean up and abolish the applicable regulations and practices that hinder the free circulation of alcohol, and to promote the market formation and circulation of alcohol.

However, liquor operators may be required by local governments to obtain local licenses for the distribution of alcoholic products. For example, pursuant to the Administrative Measures of Shanghai Municipality for Production and Sales of Alcohol Commodities (《上海市酒類商品產銷管理條例》), which was adopted by the Standing Committee of Shanghai People's Congress, the local enterprises engaged in alcohol wholesaling shall apply to the municipal wine monopoly bureau for alcohol wholesale licenses, while the local enterprises engaged in alcohol retailing shall apply to the district (county) wine administrative department for alcohol retail licenses.

Regulations Relating to Single-Purpose Commercial Pre-Paid Cards

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

LAWS AND REGULATIONS ON FOOD ADVERTISEMENT

According to the Advertising Law of the PRC (the "**Advertising Law**", 《中華人民共和國廣告法》) promulgated by the Standing Committee of the NPC (the "**SCNPC**") on October 27, 1994 and most recently revised on April 29, 2021, no advertisement shall contain any false or misleading information, and shall not deceive or mislead consumers. Any advertiser, advertising agent or advertisement publisher shall, when engaging in advertising activities, comply with laws and administrative regulations, act in good faith, and conduct fair competition. In any advertisement, where there are statements regarding the performance, function, place of origin, purpose, quality, ingredients, price, producer, valid period and guarantees of the product, or the content, provider, form, quality, price and guarantees of the service, such statements shall be accurate, clear and explicit.

LAWS AND REGULATIONS ON CONSUMER RIGHTS AND BENEFITS

The principal legal provisions for the protection of consumer interests are set out in the PRC Consumer Rights and Interests Protection Law (the "**Consumer Protection Law**") (《中華人民共和國消費者權益保護法》), which was promulgated on October 31, 1993, and came into effect on January 1, 1994, and was subsequently amended in 2009 and 2013. Pursuant to the Consumer Protection Law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage, and term of validity of the commodities. Failure to comply with the Consumer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacing or repairing the commodities, mitigating the damages, compensation, and restoring the reputation, and subject the business operators or the responsible individuals to criminal penalties if business operators commit crimes by infringing the legitimate rights and interests of consumers. According to the Consumer Protection Law, where operators knowingly provide consumers with defective commodities or services causing death or serious damage to the health of consumers or other victims, the victims may require operators to compensate them for losses in accordance with the Consumer Protection Law and other relevant provisions, and claim punitive compensation of not more than two times the amount of losses incurred. The Food Safety Law also provides the amount of punitive compensation that the operators knowingly provide food failing to meet the food safety standards shall paid the victims, which is ten times the price paid or three times the loss unless the amount of the additional compensation is less than RMB1,000 where the punitive compensation shall be RMB1,000.

LAWS AND REGULATIONS ON REAL ESTATE LEASING

According to the PRC Civil Code (《中華人民共和國民法典》) which became effective on January 1, 2021, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee's possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from the execution of the property lease agreement with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do so, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

LAWS AND REGULATIONS ON PRICING

According to the Pricing Law of the PRC (《中華人民共和國價格法》), which was promulgated by SCNPC on December 29, 1997 and took effect on May 1, 1998, business operators must, as required by the government departments in charge of pricing, mark the prices explicitly and indicate the name, production origin, specifications, and other related particulars clearly. Business operators may not sell products at a premium or charge any fees that are not explicitly indicated. Business operators must not commit the specified unlawful pricing activities, such as colluding with others to manipulate the market price, providing fraudulent discounted price information, using false or misleading prices to deceive customers to transact, or conducting price discrimination against other business operators. Failure to comply with the Pricing Law or other rules or regulations on pricing may subject business operators to administrative sanctions such as warning, orders to cease unlawful activities, payment of compensation to customers, confiscation of illegal gains, and/or fines. The business operators may be ordered to suspend business for rectification, or have their business licenses revoked if the circumstances are severe.

LAWS AND REGULATIONS ON CYBER SECURITY AND PRIVACY PROTECTION

Cyber Security

The Cyber Security Law of the PRC (the "**Cyber Security Law**",《中華人民共和國網絡安全法》) was promulgated by the SCNPC on November 7, 2016 and came into effect on June 1, 2017. The Cyber Security Law applies to network construction, operation, maintenance and use of the network as well as to the supervision and administration of cyber security within PRC territory.

According to the Cyber Security Law, network operators, while carrying out business and service activities, must abide by laws and administrative regulations, show respect for social moralities, follow business ethics, act in good faith, comply with cyber security protection obligations, accept supervision by the government and society and comply with their social responsibilities. For the construction and operation of a network or the provision of services through a network, in accordance with the provisions of laws administrative regulations and mandatory national standards, technical and other necessary measures are required to ensure the secure and stable operation of the network, effectively respond to cyber security incidents, prevent crimes committed on the network, and to maintain the integrity, confidentiality and availability of cyber data.

Network operators must keep users' personal information that they have collected strictly confidential, and establish and improve their system for the protection of users' information. To collect and use personal information, network operators must follow the principles of legitimacy, integrity and necessity, disclose their rules of data collection and use, clearly express the purpose, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered. Network operators must adopt technical and other necessary measures to ensure the security of the personal information they have collected and to prevent such information from being divulged, damaged or lost. If personal information has been or may be divulged, damaged or lost, it is necessary to take immediate remedial measures and inform users promptly according and report the same to the relevant competent departments. Network operators who do not comply with the Cyber Security Law may be subject to fines, suspension of their businesses, shutdown of their websites, and revocation of their business licenses.

On July 30, 2021, the State Council promulgated the Regulations for Safe Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the "**Safe Protection Regulations**") which came into effect on September 1, 2021. Pursuant to the Safe Protection Regulations, critical information infrastructure refers to important network infrastructure and information system in public telecommunications, information services, energy sources, transportation and other critical industries and domains, in which any destruction or data leakage will have severe impact on national security, the nation's welfare, the people's living and public interests.

According to the Cybersecurity Review Measures (2021) (《網絡安全審查辦法(2021)》) promulgated by the Cyberspace Administration of China on December 28, 2021 and effective on February 15, 2022, critical information infrastructure operators who purchase network products and services that affect or may affect national security shall report to the cybersecurity review office for a cybersecurity review. Online platform operators possessing personal information of more than 1 million users must report to the cybersecurity review office for a cybersecurity review before going public abroad. According to the Administration Regulations on Cyber Data Security (《網絡數據安全管理條例》) promulgated by the State Council of China on September 24, 2024 but not yet effective. Where network data handlers carry out network data processing activities that affect or may affect national security, they shall undergo a national security review in accordance with relevant national regulations.

Personal Information Protection

Pursuant to the PRC Civil Code (中華人民共和國民法典), personal information of a natural person shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide, or make public personal information of others.

Further, the Ninth Amendment to the Criminal Law of the PRC (中華人民共和國刑法修正案(九)), which issued by the SCNPC on August 29, 2015, and became effective on November 1, 2015, stipulates that any network service provider that fails to fulfill the obligations related to information network security management as required by applicable laws and administrative regulations and refuses to take corrective measures, will be subject to criminal liability for causing (1) any large-scale dissemination of illegal information; (2) any severe effect due to the leakage of users' information; (3) any serious loss of evidence of criminal activities; or (4) other severe situations, and any individual or entity that (i) sells or provides personal information to others unlawfully or (ii) steals or illegally obtains any personal information will be subject to criminal liability in severe situations.

On 20 August 2021, the SCNPC promulgated the Law of Personal Information Protection of PRC (中華人民共和國個人信息保護法) (the "**Personal Information Protection Law**"), which became effective on November 1, 2021. Pursuant to the Personal Information Protection Law, the processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, deletion, etc. of personal information, and before processing personal information, personal information processors should truthfully, accurately and completely inform individuals of the following matters in a conspicuous manner and in clear and easy-to-understand language: (1) the name and contact information of the personal information processor; (2) purpose of processing personal information, processing method, type of personal information processed, and retention period; (3) methods and procedures for individuals to exercise their rights under the Personal Information Protection Law; and (4) other matters that should be notified as required by laws and administrative regulations. Personal information processors should also take the following measures to ensure that personal information processing activities comply with laws and administrative regulations based on the processing purpose, processing methods, types of personal information, impact on personal rights and interests, and possible security risks, etc., and to prevent unauthorized access and personal information leakage, tampering, and loss: (i) formulating internal management systems and operating procedures; (ii) implementing classified management of personal information; (iii) adopting corresponding security technical measures such as encryption and de-identification; (iv) reasonably determining the operating authority for personal information processing, and regularly conduct safety education and training for practitioners; (v) formulating and organizing the implementation of emergency plans for personal information security incidents; and (vi) other measures stipulated by laws and administrative regulations.

Where personal information is processed in violation of the provisions of the Personal Information Protection Law, or the processing of personal information fails to fulfill the personal information protection obligations hereunder, the department performing personal information protection duties shall order corrections, give warnings, confiscate illegal gains, and order to suspend or terminate the provision of services by the applications that illegally process personal information; if the personal information processor refuses to make corrections, a fine of not more than RMB1 million shall be imposed; the directly responsible person in charge and other directly responsible personnel shall be fined not less than RMB10,000 but not more than RMB100,000. For any aforesaid illegal act with serious circumstances, the department performing personal information protection duties at or above the provincial level shall order the personal information processor to make corrections, confiscate the illegal gains, and impose a fine of less than RMB50 million or less than 5% of the previous year's turnover. It can also order the suspension of relevant business or suspend business for rectification, notify the relevant competent authority to revoke the relevant permits or the business licence; impose a fine of RMB100,000 up to RMB1 million on the directly responsible person in charge and other directly responsible personnel, and may decide to prohibit them from serving as a director, supervisor, senior manager and person in charge of personal information protection of related companies within a certain period of time.

REGULATIONS ON OVERSEAS SECURITIES OFFERING AND LISTING

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five ancillary interpretive guidelines (collectively, the "**Overseas Listing Trial Measures**"), which came into effect on March 31, 2023.

Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either directly or indirectly, are required to fulfill the filing procedure with the CSRC and report the relevant information through filing reports and legal opinions. The Overseas Listing Trial Measures provides that an overseas listing or offering is explicitly prohibited, if any of the following: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as scrutinized and determined in accordance with law by competent authorities under the State Council; (iii) the domestic company intending to make the securities offering and listing, or the controlling shareholder(s) and the actual controller of such company, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

The Overseas Listing Trial Measures also provides that the overseas securities offering and listing will be deemed as an indirect overseas offering by PRC domestic companies if (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year are accounted for by PRC domestic companies; and (ii) the issuer's principal business activities are conducted in the PRC, or its principal place(s) of business are located in the PRC, or the senior executives responsible for its business operations and management are mostly Chinese citizens or persons domiciled in the PRC. Where an issuer submits an application for offering or listing to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted to the overseas regulators. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on any material events, such as change of control, investigation or punishment taken by overseas securities regulatory authorities or other competent authorities, change of listing status or listing plate, or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

If domestic companies fail to fulfill the above-mentioned filing procedures or offer and list in an overseas market against the prohibited circumstances, they would be ordered to rectify, warned, and fined between RMB1 million and RMB10 million. The directly liable personnel would be warned and fined between RMB0.5 million and RMB5 million. The controlling shareholders and actual controllers of such domestic companies that organize or instruct the aforementioned violations would be warned and fined between RMB1 million and RMB10 million. The directly liable personnel would be fined between RMB0.5 million and RMB5 million. The securities companies and securities service providers failing to supervise the domestic companies for compliance of relevant rules would be warned and fined between RMB0.5 million and RMB5 million. The directly liable personnel would be warned and fined between RMB0.2 million and RMB2 million. Also, if there is any false records, misleading statement or any material omission in the filing documents, the domestic companies would be ordered to rectify, warned, and fined between RMB1 million and RMB10 million. The directly liable personnel would be imposed warnings and fined between RMB0.5 million and RMB5 million. The controlling shareholders and actual controllers of such domestic companies who organize or instruct the aforementioned violations or conceal the relevant matters leading to the occurrence of the aforementioned violations would be warned and fined between RMB1 million and RMB10 million. The directly liable personnel would be fined between RMB0.5 million and RMB5 million. The securities companies or securities service providers who fail to act with due diligence, make false records, misleading statements or material omissions in the documents produced and issued domestically, or in the documents produced and issued overseas which led to disruption of the domestic market order and infringement on the lawful rights and interests of domestic investors, would be, amongst others, fined up to 10 times of the service fees or between RMB0.5 million and RMB5 million if there are no service fees or the service fees are less than RMB0.5 million. The directly liable personnel would be warned and fined between RMB0.2 million and RMB2 million.

LAWS AND REGULATIONS ON FIRE PREVENTION

According to the Fire Prevention Law of the PRC (the "**Fire Prevention Law**", 《中華人民共和國消防法》) promulgated by the NPC on April 29, 1998 and amended on October 28, 2008, April 23, 2019 and April 29, 2021, respectively, and the Interim Provisions on Design Inspection and Acceptance of Fire Protection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on April 1, 2020 and amended on August 21, 2023 and came into effect on October 30, 2023, for the restaurants, teahouses or coffee houses with more than 500 sq.m. and with entertainment functions, the construction entity shall apply for fire protection design approval. For other restaurants, tea houses or coffee houses, when the construction entity applies for construction permit or for approval of commencement report, it shall provide the fire protection design drawings and technical materials satisfying the requirement of the construction and such construction project shall be subject to the filing and random inspection system.

According to the revised Fire Prevention Law (revised in 2019 and 2021), the competent housing and urban-rural development authority replaced fire prevention and rescue departments to monitor and administer the fire protection as-built acceptance check and filing. Upon completion of construction of a development project which is required to apply for fire safety inspection and acceptance as stipulated by the housing and urban-rural development authority, the developer shall apply to the housing and urban-rural development authority for fire safety inspection and acceptance. For other development projects, the developer shall complete filing formalities with the housing and urban-rural development authority following the inspection and acceptance, the housing and urban-rural development department shall conduct spot check. Pursuant to the Fire Prevention Law, the construction project that fails to complete as-built acceptance check on fire prevention shall be ordered by the relevant government authorities to close and shall be fined not less than RMB30,000 but not more than RMB300,000. The construction project that fails to complete fire safety filing shall be ordered to rectify and be subject to a fine of up to RMB5,000.

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

The Opinion on the Deepening the Reform of Fire Control Law Enforcement (《關於深化消防執法改革的意見》) promulgated jointly by the General Office of the CPC Central Committee and the General Office of the State Council on May 30, 2019, provides for the simplification of the fire protection inspections of public gathering places before their use and operation, and management in the form of a notification and a representation to safety standards. Fire protection authorities shall formulate the standards for fire safety in public gathering places and disclose such standards to the public, making available the text in the form of the letter of notification and representation to safety standards. A public gathering place shall, after obtaining the business license or being qualifying for use and operation under the law, commence use or operation by making a representation to the fire protection authorities that it has reached the standards for fire safety through an application face-to-face or via the online governmental affairs service platform. In practice, the relevant authority at its locality may formulate and implement relevant fire protection policies or implementation rules according to local conditions. Pursuant to the Fire Prevention Law amended on April 29, 2021, the fire safety inspection of public gathering places before they are put into use and open for business shall be subject to the management of notification and representation. Before the use or commencement of the business operations of public gathering places, the construction entities or the entities using such places shall file an application for fire safety inspection with the fire rescue agencies of the local people's governments of such places at or above the county level, and make a representation that the place meets the fire control technical standards and management regulations, and submit the requisite materials and be responsible for the authenticity of their representations and the submitted materials. The fire rescue agency inspects the materials submitted by the applicant, if the application materials are complete and conform to legal forms, approval shall be granted. Fire rescue agencies shall, in accordance with fire control technical standards and management regulations, conduct timely verification on the public gathering places that have made representations. If the applicant chooses not to take the form of notification and representation, the fire rescue agency shall inspect the site in accordance with fire control technical standards and management regulations within 10 working days from the date of accepting the application. Approval shall be given to those meeting the fire control safety requirements through inspection. Public gathering places shall not be put into use or open for business without approval of fire rescue agencies. If the public gathering places are put into use or open for business without approval of fire rescue agencies, or the use or business conditions of such places are found to be inconsistent with the contents promised after the verification of fire rescue agencies, such places shall be ordered to discontinue the use, production or operation and be fined not less than RMB30,000 but not more than RMB300,000.

LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

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

According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts take charge of administering and supervising said environmental protection matters. According to the provisions of the Environmental Protection Law, the environmental impact statement shall be made for any such construction project and construction projects which have not carried out environmental impact assessment shall not commence construction.

Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal part of the project. Installations for the prevention and control of pollution shall not be dismantled or left idle without authorization.

The Environmental Protection Law makes it clear that the liabilities for any violation of said law include, fine, rectification within a time limit, compulsory ceasing of operations, compulsory shutout or closedown, restitution, or even criminal punishment.

Environment Impact Assessment

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

The EIR or EIS of a construction project shall be submitted by the construction unit in accordance with the regulations of the State Council to the ecological environment department with powers to approve the project for review and approval. The State shall implement a record-filing-based management on EIRF. However, according to the Catalog for the Classified Administration of the Environmental Impact Assessment of Construction Projects (2021) (《建設項目環境影響評價分類管理名錄(2021年版)》), construction projects with regard to the catering industry are no longer required to submit the EIA documents.

Environmental Protection of Construction Projects

According to the Administrative Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) effective as of November 29, 1998 and as amended on July 16, 2017, after the completion of a construction project for which an environmental impact report or environmental impact statement is prepared, the construction unit shall make an acceptance check of the matching environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council.

A construction unit shall be punished in accordance with the Law of the PRC on Environmental Impact Assessment if it: (i) commences construction before submitting the environmental impact report or environmental impact statement of the construction project for approval or re-examination in accordance with the law; (ii) commences construction without authorization before the environmental impact report or environmental impact statement of the construction projects is approved or approved after re-examination; or (iii) fails to file the environmental impact registration form of the construction project for record in accordance with the law.

Prevention and Control of Water Pollution

The Law on Prevention and Control of Water Pollution of the PRC (the "**Water Pollution Prevention and Control Law**", 《中華人民共和國水污染防治法》) first came into effect as of November 1, 1984 and was subsequently amended on May 15, 1996, February 28, 2008, and June 27, 2017, respectively. The law applies to the prevention and control of pollution of rivers, lakes, canals, irrigation channels, reservoirs and other surface water bodies and groundwater within the PRC. According to the provisions of the Water Pollution Prevention and Control Law and other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts at or above county level shall take charge of the administration and supervision on the matters of prevention and control of water pollution.

Enterprises that engage in the activities of industry, construction, catering, and medical treatment, etc. that discharges sewage into urban drainage facilities shall apply to the relevant competent urban drainage department for collecting the permit for discharging sewage into drainage pipelines under relevant laws and regulations, including the Regulations on Urban Drainage and Sewage Disposal (《城鎮排水與污水處理條例》), which was promulgated on October 2, 2013 and came into force on January 1, 2014, and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (《城鎮污水排入排水管網許可管理辦法》), which came into force on March 1, 2015 and was subsequently amended on December 1, 2022.

Drainage entities covered by urban drainage facilities shall discharge sewage into urban drainage facilities in accordance with the relevant provisions of the state. Where a drainage entity needs to discharge sewage into urban drainage facilities, it shall apply for a drainage license in accordance with the provisions of these Measures. The drainage entity that has not obtained the drainage license shall not discharge sewage into urban drainage facilities. Urban residents that discharge domestic sewage are not required to apply for the drainage license.

LAWS AND REGULATIONS ON LABOR

Labor Contract Law

According to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**"), which was implemented on January 1, 2008 and amended on December 28, 2012, labor contracts must be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force the laborers to work beyond the time limit and the employers must pay laborers compensation for working overtime in accordance with national regulations. Labor wages must not be lower than local minimum wage standards and must be paid to the laborers in a timely manner. According to the Labor Law of the PRC (《中華人民共和國勞動法》) effective as of January 1, 1995, as amended on August 27, 2009 and December 29, 2018, enterprises and institutions must establish and perfect their system of work place safety and sanitation, strictly abide by state rules and standards and educate laborers regarding the same. Workplace safety and sanitation facilities must comply with state-fixed standards.

Production Safety Law

Pursuant to the Law on Work Safety of the PRC (《中華人民共和國安全生產法》) (the "**Law on Work Safety**",) effective on November 1, 2002 and amended on August 27, 2009, August 31, 2014 and June 10, 2021 respectively, enterprises engaged in production activities must strengthen safety production management, establish and improve the responsibility system for safe production and ensure a safe production environment. The State establishes and implements a system for the accountability of production safety accidents. If the company fails to comply with the provisions of the Law on Work Safety, the supervisory authority on production safety may issue a rectification order, impose a fine, order the company to cease production and operation, or revoke the relevant permit.

Regulations on Social Insurance and Housing Fund

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) effective as of July 1, 2011 and as amended on December 29, 2018, the Regulations on Occupational Injury Insurance (《工傷保險條例》) effective as of January 1, 2004 and as amended on December 20, 2010, the Interim Measures concerning Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》) effective as of January 1, 1995, the Interim Regulations concerning the Levy of Social Insurance (《社會保險費徵繳暫行條例》) effective as of January 22, 1999 and as amended on March 24, 2019 and the Regulations concerning the Administration of Housing Fund (《住房公積金管理條例》) effective as of April 3, 1999, and amended on March 24, 2002 and March 24, 2019, enterprises and institutions in the PRC must provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance, as well as a housing fund and other welfare plans.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Trademarks

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) which was adopted in 1982 and subsequently amended in 1993, 2001, 2013 and 2019, respectively, as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted in 2002 and amended in 2014 by the State Council. The Trademark Office under National Intellectual Property Administration (the "**NIPA**") handles trademark registrations and grants a term of ten years to registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. The trademark registrant may, by concluding a trademark licensing contract, authorize other persons to use the registered trademark. The licensor shall supervise the quality of the goods for which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the goods for which the registered trademark is used. The party authorized to use another's registered trademark must indicate the name of the licensee and the place of origin on the goods that bear the registered trademark. When granting others use of the registered trademarks, the licensor shall file the trademark license with the Trademark Office for their records, and the Office shall announce the same. Without putting the trademark license on record, the trademark may not be used to defend a bona fide third party.

The Patent Law

Pursuant to the Patent Law of the PRC (中華人民共和國專利法) latest amended by the SCNPC on October 17, 2020 and came into effect on June 1, 2021 and the Implementation Rules of The Patent Law of the PRC (中華人民共和國專利法實施細則) amended by the State Council on January 9, 2010 and came into effect on February 1, 2010, patents in China are divided into invention patent, utility patent and design patent. Invention patent refers to new technical solutions for a product, method or its improvement; utility patent refers to new technical solutions for the shape, structure or the combination of both shape and structure of a product, which is applicable for practical use; design patent refers to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the color, the shape and pattern of a product with esthetic feeling and industrial application value. Invention patent shall be valid for 20 years from the date of application while utility patent shall be valid for 10 years and design patent shall be valid for 15 years from the date of application. The patent right entitled to its owner shall be protected by the laws. Any person shall be licensed or authorized by the patent owner before using such patent. Otherwise, the use constitutes an infringement of the patent right.

The Patent Law of the PRC has been amended by the SCNPC on October 17, 2020 and came into effect on June 1, 2021. Compared with the valid Patent Law which was amended on December 27, 2008 and come into effect on October 1, 2009, the main changes of the Patent Law of the PRC (revised in 2020) are concentrated on the following aspects: (1) clarifying the incentive mechanism for inventor or designer relating to service inventions; (2) extending the duration of design patent; (3) establishing a new system of "open licensing" (開放許可); (4) improving the distribution of burden of proof in patent infringement cases; and (5) increasing the compensation for patent infringement.

Domain Names

The Measures for the Administration of Internet Domain Names (the "**Domain Name Measures**", 《互聯網域名管理辦法》) was promulgated by the Ministry of Industry and Information Technology of the PRC on August 24, 2017 and came into effect on November 1, 2017. The Implementation Rules for National Top-level Domain Name Registration (《國家頂級域名註冊實施細則》) (the "**Implementation Rules for Registration**") was promulgated by the China Internet Network Information Center on June 18, 2019 and came into effect on the same date. The Domain Name Measures regulate the registration of domain names. Application for registration of national top-level domain names ".CN" and ".China" and provision of national top-level domain name registration related services shall further comply with the Implementation Rules for Registration.

The Copyright

The PRC has enacted various laws and regulations relating to copyright protection. The Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated on September 7, 1990, amended on February 26, 2010 and became effective from April 1, 2010 by the SCNPC, amended on November 11, 2020 and will become effective from June 1, 2021 by the SCNPC provides that PRC citizens, legal persons, or other organizations, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology, and computer software. The term "copyright" includes moral rights and economic rights, and anyone who commits copyright infringement is subject to civil liability.

The Regulations on Computer Software Protection (《計算機軟件保護條例》), which was promulgated on June 4, 1991, amended on January 30, 2013 and became effective on March 1, 2013 by the State Council, stipulates that Chinese residents, legal entities or other organizations enjoy copyright in the software which they have developed, whether published or not, and a software copyright owner may register it with the software registration institution recognized by the copyright administration department of the State Council. The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), promulgated by the National Copyright Administration on February 20, 2002 with immediate effect, regulates registration of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The Copyright Protection Center of China (the "**CPCC**") is the designated software registration authority. The CPCC grants registration certificates to computer software copyright applicants which conform to the provisions of both the Regulations on Computer Software Protection and the Measures for the Registration of Computer Software Copyright.

The PRC is also a signatory to some major international conventions on the protection of copyright. For example, the PRC became a member of the Berne Convention for the Protection of Literary and Artistic Works in October 1992, the Universal Copyright Convention in October 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights in December 2001. According to these conventions, a qualified foreign copyright owner may enjoy certain copyright in China and a copyright owner in China may also acquire specific foreign copyright protection.

LAWS AND REGULATIONS ON STOCK INCENTIVE PLANS

On February 15, 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Stock Option Rules. According to the Stock Option Rules, individuals participating in any stock incentive plan of any overseas publicly listed company who are Chinese citizens or foreign citizens who reside in mainland China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE or its local branches and complete certain other procedures through a domestic qualified agent, which could be a Chinese subsidiary of such overseas listed company. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase, and sale of corresponding stocks or interests, and fund transfers. In addition, the agent in mainland China is required to further amend the SAFE registration concerning the stock incentive plan if there is any material change to the stock incentive plan, the mainland Chinese agent or the overseas entrusted institution, or other material changes. The mainland Chinese agents must, on behalf of the mainland Chinese residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the mainland Chinese residents' exercise of the employee share options. The foreign exchange proceeds received by the mainland Chinese residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas-listed companies must be remitted into the bank accounts in mainland China opened by the mainland Chinese agents before distribution to such mainland Chinese residents. Under the Circular of the State Administration of Taxation on Issues Concerning Individual Income Tax concerning Equity Incentives (《國家稅務總局關於股權激勵有關個人所得稅問題的通知》) promulgated by the SAT and effective on August 24, 2009, listed companies and their domestic organizations shall, according to the individual income tax calculation methods for "wage and salary income" and stock option income, lawfully withhold and pay individual income tax on such income.

LAWS AND REGULATIONS ON DIVIDEND DISTRIBUTION

The principal regulations governing the distribution of dividends of foreign-invested enterprises include the PRC Company Law, the Foreign Investment Law and the Implementation Rules of the Foreign Investment Law. Under these laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated after-tax profits, if any, determined following PRC accounting standards and regulations. In addition, foreign-invested enterprises in China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year. Wholly foreign-owned companies may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

LAWS AND REGULATIONS ON FOREIGN EXCHANGE

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

Pursuant to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**"), promulgated by SAFE and which became effective on July 4, 2014, (i) a PRC resident ("**PRC Resident**") shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle ("**Overseas SPV**"), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (ii) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV's PRC Resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV's registered capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**Circular 13**"), which was promulgated on February 13, 2015 and with effect from June 1, 2015, enterprises are not required to get foreign exchange registration approval under domestic direct investment or overseas direct investment. Domestic investors (including domestic foreign-invested enterprises, domestic investing entities of foreign enterprises) should carry out foreign exchange registration of direct investment with banks.

According to the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**") promulgated on March 30, 2015 and effective on June 1, 2015 and the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement under 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》) (the "**Circular 16**") promulgated and effective on June 9, 2016, domestic enterprises (including Chinese-funded enterprises and foreign-invested enterprises, excluding financial institutions) may go through foreign exchange settlement formalities for their foreign debts at their discretion. Where the current regulations contain any restrictive provisions on the foreign exchange settlement of foreign exchange receipts under capital accounts of domestic institutions, such provisions shall prevail. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the above proportion in due time according to the balance of payments. While being eligible for discretionary settlement of foreign exchange receipts under capital accounts, domestic institutions may also opt to use their foreign exchange receipts according to the payment-based settlement system. A bank shall, in handling each transaction of foreign exchange settlement for a domestic institution according to the principle of payment-based settlement, review the authenticity and compliance of the use of the funds settled in the previous transaction (including discretionary settlement and payment-based settlement) of such institution.

The Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "**Circular 28**") was promulgated and became effective on October 23, 2019. According to the Circular 28, non-investment foreign-funded enterprises are allowed to lawfully make domestic equity investments using their capital if the domestic investment projects are in compliance with the prevailing special administrative measures for access of foreign investments and the relevant regulations.

LAWS AND REGULATIONS ON TAXES

Corporate Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was promulgated on March 16, 2007 and last amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which was promulgated on December 6, 2007 and further amended on April 23, 2019, the income tax rate for both domestic and foreign-invested enterprises is 25%. Furthermore, resident enterprises, which are enterprises that are set up in accordance with PRC law, or that are set up in accordance with the law of a foreign country (region) but with their actual administration institution in the PRC, must pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to their income originating from the PRC and obtained by their institutions or establishments, and their income incurred outside the PRC but where there is an actual relationship with the institutions or establishments set up by such enterprises. Non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but where there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they must pay enterprise income tax in relation to the income originating from the PRC at the rate of 10%.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated on December 13, 1993 and last amended on November 19, 2017 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax (the "**VAT**"). Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) promulgated on March 23, 2016 and as amended on July 11, 2017, December 25, 2017 and March 20, 2019 respectively, upon approval of the State Council, as of May 1, 2016, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner, and all taxpayers of business taxpayers engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

Pursuant to the Provisional Regulations on Value-added Tax of the PRC, the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax, the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) promulgated by Ministry of Finance and State Administration of Taxation on April 4, 2018 and became effective on May 1, 2018, and the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) promulgated by the Ministry of Finance, the State Administration of Taxation and General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, with respect to VAT taxable sales of a VAT general taxpayer, the applicable VAT rates are 13%, 9% and 6% respectively.

OVERVIEW

We are one of the renowned self-operated chain restaurants in China's mass Chinese cuisine market. Our history can be traced back to 2013 when Mr. Wang, our founder, chairman of the Board and general manager, founded Xiaocaiyuan Catering to offer Chinese cuisine with affordable prices. Prior to the establishment of Xiaocaiyuan Catering, Mr. Wang operated several restaurants through which he gained extensive experiences in the catering industry. See "Directors and Senior Management" for Mr. Wang's biographical details.

In recent years, we have gradually established a restaurant network across Anhui, Jiangsu, Shanghai, Zhejiang, Beijing, Hubei, Tianjin, Guangdong, Hebei, Henan, Shandong, Jiangxi and other regions in China, and expanded our brand portfolio including *Xiaocaiyuan*, *Guandi*, *Fuxinglou* and *Caishou*. As of the Latest Practicable Date, we have built a restaurant network consisting of 663 self-operated restaurants across different parts of China. According to Frost & Sullivan, in terms of the restaurant revenue for 2023, *Xiaocaiyuan* ranked first among all brands in China's mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100.

OUR KEY MILESTONES

The following table is a summary of our Group's key business development milestones:

Year	Milestone
2013	We opened our first *Xiaocaiyuan* restaurant in Anhui
2014	We opened our first *Xiaocaiyuan* restaurant in Jiangsu
2016	We opened our first *Xiaocaiyuan* restaurant in Beijing and Shanghai, commencing our presence in tier one cities of China
2018	We opened our 100th *Xiaocaiyuan* restaurant
	We developed our information technology systems to improve our catering management
2021	We established our central kitchen for cleaning and portioning of food ingredients, sauce preparation and condiment packets, which enhanced our food safety standard, quality control and operational efficiency of our restaurants
	We fully upgraded our digital management system to improve the efficiency of our restaurant operations
	We were awarded "Hurun China Top 50 Investment Value Catering Chain Enterprise in 2021 (2021年度胡潤中國餐飲連鎖企業投資價值榜TOP50)" by Hurun China
2022	We were awarded "Most Influential Brand of the Year (年度最具影響力品牌獎)" by Meituan & Meituan Food Delivery
2023	We opened our 500th *Xiaocaiyuan* restaurant
	We started to apply cooking robots to improve the automation of our in-restaurant workflows

OUR MAJOR SUBSIDIARIES

The following subsidiaries made material contribution to our results of operation during the Track Record Period:

Name of subsidiary	Place of incorporation	Date of incorporation	Shareholding	Principal business activities
Xiaocaiyuan Catering	PRC	June 9, 2013	100%	catering service and management
Anhui Guandi	PRC	June 13, 2017	100%	catering service and management
Anhui Shangweitang	PRC	July 4, 2019	100%	catering service and management
Hangzhou Xiaocaiyuan	PRC	November 7, 2019	100%	catering service and management
Nanjing Xiaocaiyuan	PRC	July 30, 2020	100%	catering service and management
Suzhou Xiaocaiyuan	PRC	September 11, 2020	100%	catering service and management
Shanghai Xiaocaiyuan	PRC	November 30, 2020	100%	catering service and management
Xiaocaiyuan Supply Chain	PRC	June 23, 2021	100%	supply chain management

MAJOR SHAREHOLDING CHANGES OF OUR GROUP

Establishment and major shareholding changes of Xiaocaiyuan Catering

Xiaocaiyuan Catering was incorporated in the PRC on June 9, 2013 with a registered capital of RMB1,000,000, and its equity interests were held by Mr. Chen Haiyan, Ms. Wang Wenping, Ms. Wang Xueling, Mr. Ye Hongli, Ms. Zuo Meilin, Ms. Xu Li, Ms. Yang Li (together, the "**Original Shareholders**") and Mr. Wang as to 51.00%, 7.00%, 7.00%, 7.00%, 7.00%, 7.00%, 7.00% and 7.00%, respectively. Xiaocaiyuan Catering has been the principal operating entity of our Group since its incorporation. Prior to the establishment of Xiaocaiyuan Catering, the Original Shareholders and Mr. Wang were together operating the restaurants of Tongling Suburb Hexie Hotel (銅陵市郊區和諧大酒店) ("**Hexie Hotel**").

During the period from 2013 to 2020, Xiaocaiyuan Catering went through several rounds of capital increases and share transfers, specifically, (i) as of December 2020, the registered capital of Xiaocaiyuan Catering has been increased from RMB1,000,000 to RMB20,000,000; (ii) With the expansion of the Group and considering Mr. Wang's significant contributions to the development and management, it has been agreed upon through unanimous negotiation between Mr. Wang, Mr. Chen Haiyan and other Original Shareholders that Mr. Wang will acquire a majority of Mr. Chen Haiyan's equity interests in the interest of the long-term growth of the Group. Meanwhile, Ms. Wang Wenping, Ms. Wang Xueling, Ms. Zuo Meilin, Ms. Xu Li and Ms. Yang Li were more confident and optimistic in the model of restaurant business like Hexie hotel compared to mass Chinese cuisine business. Accordingly. Mr. Chen Haiyan transferred certain amount of his equity interests in Xiaocaiyuan Catering to Mr. Wang, and Ms. Wang Wenping, Ms. Wang Xueling, Ms. Zuo Meilin, Ms. Xu Li and Ms. Yang Li transferred all their equity interests in Xiaocaiyuan Catering to Mr. Wang respectively. The consideration of the share transfers above are all based on the registered capital of Xiaocaiyuan Catering. Upon completion of the share transfers above, Ms. Wang Wenping, Ms. Wang Xueling, Ms. Zuo Meilin, Ms. Xu Li and Ms. Yang Li ceased to be shareholders of Xiaocaiyuan Catering; (iii) Mr. Li Daoqing, Mr. Tian Chunyong, Mr. Zhou Bin, Mr. Tao Xu'an, Mr. Fang Zhiguo and Ms. Wang Weifang subscribed for certain equity interests in Xiaocaiyuan Catering at a consideration equivalent to the registered capital subscribed by them respectively (Mr. Li Daoqing, Mr. Tian Chunyong, Mr. Zhou Bin, Mr. Tao Xu'an, Mr. Ye Hongli, Mr. Fang Zhiguo, Ms. Wang Weifang and Mr. Chen Haiyan, together, are defined as the "**Other Individual Shareholders**"). Mr. Li Daoqing, Mr. Tian Chunyong, Mr. Zhou Bin, Mr. Tao Xu'an and Ms. Wang Weifang are our Directors, and Mr. Ye Hongli, Mr. Fang Zhiguo and Mr. Chen Haiyan are supervisors of our subsidiary Xiaocaiyuan Catering Holdings.

Immediately following the above share transfers and capital increases, the shareholding structure of Xiaocaiyuan Catering was as follows:

Name of Shareholders	Registered capital subscribed for	Percentage of Shareholding
	(RMB)	
Mr. Wang Shugao	7,111,120	35.56%
Mr. Li Daoqing	1,777,780	8.89%
Mr. Tian Chunyong	1,777,780	8.89%
Mr. Zhou Bin	1,777,780	8.89%

Name of Shareholders	Registered capital subscribed for	Percentage of Shareholding
	(RMB)	
Mr. Tao Xu'an	1,777,780	8.89%
Mr. Ye Hongli	1,555,560	7.78%
Mr. Fang Zhiguo	1,555,540	7.78%
Ms. Wang Weifang	1,333,340	6.67%
Mr. Chen Haiyan	1,333,320	6.67%
Total	20,000,000	100%

Establishment of Tongling Yongqing and acquisition of Xiaocaiyuan Catering by Xiaocaiyuan Holdings

On November 27, 2020, Mr. Wang and the Other Individual Shareholders established Tongling Yongqing Enterprise Management Partnership (Limited Partnership) ("**Tongling Yongqing**") with a total capital contribution of RMB24,300,000 and the shareholding percentage of each of the shareholders was the same as that of Xiaocaiyuan Catering as listed in the chart above. On December 2, 2020, Xiaocaiyuan Holdings was incorporated in the PRC with shareholding structure as follows:

Name of Shareholder	Registered capital subscribed for	Percentage of Shareholding
	(RMB)	
Tongling Yongqing	8,100,000	90.00%
Mr. Wang Shugao	320,000	3.56%
Mr. Li Daoqing	80,000	0.89%
Mr. Tian Chunyong	80,000	0.89%
Mr. Zhou Bin	80,000	0.89%
Mr. Tao Xu'an	80,000	0.89%
Mr. Ye Hongli	70,000	0.78%
Mr. Fang Zhiguo	70,000	0.78%
Ms. Wang Weifang	60,000	0.67%
Mr. Chen Haiyan	60,000	0.67%
Total	9,000,000	100%

On December 10, 2020, in order to streamline the internal corporate structure, all shareholders of Xiaocaiyuan Catering transferred their respective equity interests to Xiaocaiyuan Holdings at a total cash consideration of RMB20,000,000 which was equivalent to the registered capital held by the shareholders. Upon completion of such equity transfer, Xiaocaiyuan Catering became a wholly-owned subsidiary of Xiaocaiyuan Holdings.

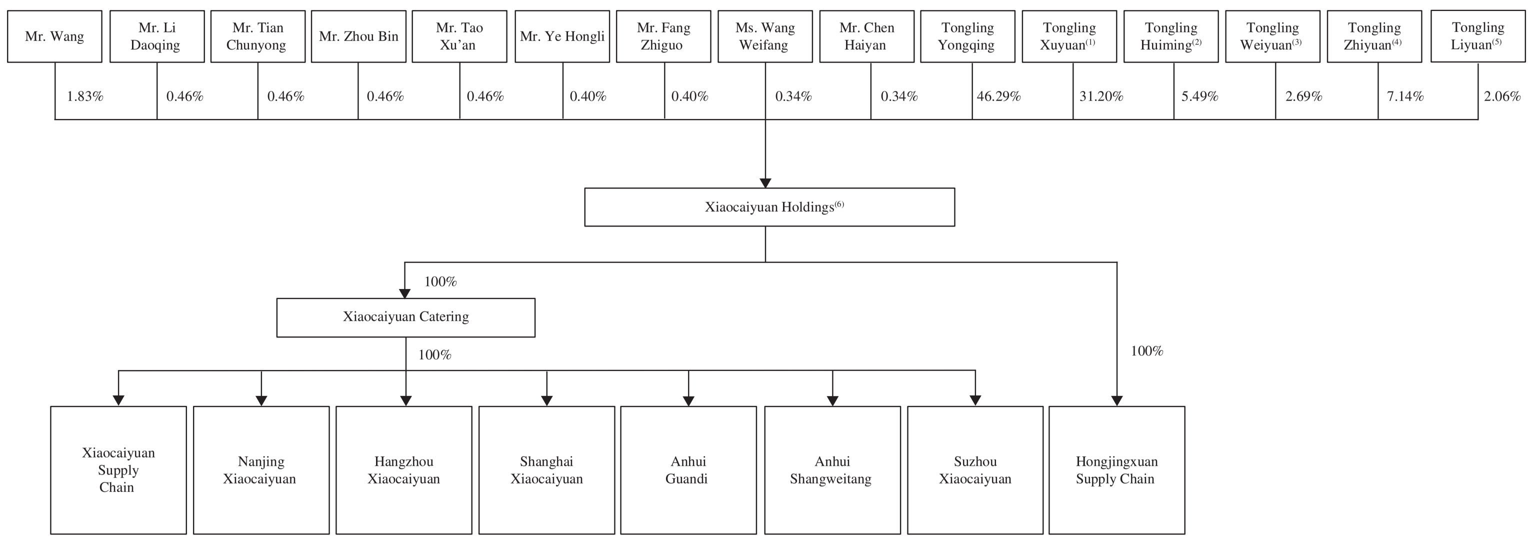
The PRC Shareholding Platforms

In order to provide incentives and rewards to the employees of the Group, in December 2020, Xiaocaiyuan Holdings adopted the 2020 Shareholding Incentive Plan, pursuant to which certain employees were granted interests of Xiaocaiyuan Holdings through several shareholding platforms, namely, Tongling Xuyuan Enterprise Management Partnership (Limited Partnership) ("**Tongling Xuyuan**"), Tongling Huiming Enterprise Management Partnership (Limited Partnership) ("**Tongling Huiming**"), Tongling Weiyuan Enterprise Management Partnership (Limited Partnership) ("**Tongling Weiyuan**"), Tongling Zhiyuan Enterprise Management Partnership (Limited Partnership) ("**Tongling Zhiyuan**") and Tongling Liyuan Enterprise Management Partnership (Limited Partnership) ("**Tongling Liyuan**", together with Tongling Xuyuan, Tongling Huiming, Tongling Weiyuan, Tongling Zhiyuan, the "**PRC Shareholding Platforms**"), holding 31.20%, 5.49%, 2.69%, 7.14% and 2.06% of the shares of Xiaocaiyuan Holdings, respectively and accounting for approximately 48.58% of the share capital of Xiaocaiyuan Holdings in total. Mr. Wang and other 130 employees of the Group were granted partnership interest in the PRC Shareholding Platforms. Tongling Yongqing and each of the PRC Shareholding Platforms are controlled by Mr. Wang. As of the Latest Practicable Date, the 2020 Shareholding Incentive Plan has been completed and terminated.

In September 2021, Mr. Wang Fuxiang and Ms. Wang Yuan, being acquaintance of Mr. Wang, acquired 1.10% and 0.73% partnership interests from Mr. Wang in Tongling Xuyuan for a consideration of RMB2.4 million and RMB2 million, respectively, as they appreciated Mr. Wang's management and operation of the Group, and had a positive outlook on the Group's long-term development and growth. The cost per Share for such investment (calculated based on the approximate amount of consideration paid by Mr. Wang Fuxiang and Ms. Wang Yuan, taking into account the effect of the Reorganization) is RMB0.70 and RMB0.87, which is at approximately 91.08% and 88.85% discount to the Offer Price (calculated based on the Offer Price is HK$8.50 per Share). The cost per Share for such investment was determined considering valuation of the Group at the time of their investment with reference to the then financial performance and business prospects of the Group and the then market conditions, and was separately determined after arm's length negotiation between Mr. Wang, Ms. Wang Yuan and Mr. Wang Fuxiang. The considerations were fully settled in November 2021 and September 2021, respectively. Both Mr. Wang Fuxiang and Ms. Wang Yuan, independent from each other, are Independent Third Parties. Mr. Wang Fuxiang is engaged in legal profession while Ms. Wang Yuan is mainly engaged in real estate business. Both of them subscribed for interests in Tongling Xuyuan with their own funds for investment purpose.

REORGANIZATION

Prior to the Reorganization, our business was conducted through Xiaocaiyuan Catering, the principal operating entity of our Company which is ultimately controlled by Mr. Wang. Please see below the simplified corporate structure of Xiaocaiyuan Catering prior to the Reorganization:



Notes:

Prior to the Reorganization,

(1) Tongling Xuyuan was held by 41 individuals, namely Mr. Wang, Zhou Nan (周楠), Fang Li (方麗), Zhang Yong (章勇), Qian Yihua (錢奕華), Yao Youbing (姚友兵), Zhu Zhenghui (朱正慧), She Mingzhu (佘明珠), Wu Roujin (吳柔錦), Liu Xiaoxuan (劉小宣), Jiang Guozhen (江國珍), Luo Yan (羅燕), Wang Qian (王茜), Zhang Weiyuan (張維媛), Wu Shengtian (吳勝田), Luo Hanghang (儸航航), Wu Liaoyong (吳遼勇), Hou Weimin (侯為民), Sun Nianli (孫年曆), Xu Pengfei (徐鵬飛), Li Zhi (厲志), Cao Jibing (曹繼兵), Zhang Chao (張超), Wang Yuanjun (王元俊), Wan Xinren (宛新人), Zhang Ping (張萍), Qi Qiaozhen (戚巧珍), Zhang Zheng (張鄭), Wang Ping (汪平), Jiang Meixia (江美霞), Xiao Shangyong (肖尚勇), Lu Fenghan (盧鳳漢), Wang Fuxiang (王福祥), Wang Mohua (王末花), Wang Qin (王琴), Hu Jian (胡堅), Chen Xingxia (陳興霞), Wang Yuan (王媛), Xie Sihui (謝思慧), Li Shan (李姍) and Bao Wenjun (鮑文君), among whom, (i) Mr. Wang held 11.72% equity interest in Tongling Xuyuan. Save as above, none of the shareholders held more than 5% equity interest in Tongling Xuyuan; and (ii) Zhang Weiyuan (張維媛) is a relative of Mr. Wang and Wang Weifang, Li Zhi (厲志) is a relative of Wang Weifang, Wu Liaoyong (吳遼勇) is a relative of Wu Shengtian (吳勝田), Wang Qian (王茜) is a relative of Gao Ji (高蹐, a shareholder of Tongling Liyuan), Wu Roujin (吳柔錦) is a relative of Zhou Ting (周亭, a shareholder of Tongling Liyuan), Chen Xingxia (陳興霞) is a relative of Song Fengping (宋豐平, a shareholder of Tongling Liyuan), Qian Yihua (錢奕華) is a relative of Liu Yiqin (劉益琴, a shareholder of Tongling Zhiyuan), and Xie Sihui (謝思慧) is a relative of Liu Xuyong (劉敘勇, a shareholder of Tongling Huiming). As of the Latest Practicable Date, (i) other than Wang Yuanjun (王元俊), Wang Mohua (王末花), Lu Fenghan (盧鳳漢), Xie Sihui (謝思慧), Wang Yuan (王媛) and Wang Fuxiang (王福祥), each of the shareholders of Tongling Xuyuan is currently an employee of the Group; and (ii) other than Mr. Wang, Zhou Nan (周楠, a supervisor of

our subsidiary Xiaocaiyuan Catering Holdings), Zhang Weiyuan (張維媛, a director of our subsidiary Shanghai Xiaocaiyuan), Wu Shengtian (吳勝田, a supervisor of our subsidiary Xiaocaiyuan Catering Holdings), Wu Liaoyong (吳遼勇) and Li Zhi (厲志), each of the shareholders of Tongling Xuyuan is an Independent Third Party. Mr. Wang is the sole director of Tongling Xuyuan and is able to control its voting rights.

(2) Tongling Huiming was held by 21 individuals, namely Mr. Wang, Wei Chaoqun (韋超群), Zhou Zhenhuai (周振懷), Zhou Xiaolei (周小磊), Chen Lei (陳蕾), Wang Yan (汪燕), Tang Guihua (唐貴華), Liu Xuyong (劉敘勇), Qian Yanfei (錢雁飛), Guo Kejian (郭克儉), Li Shijie (李世節), Lu Qingsi (盧慶四), Sang Hui (桑慧), Zhang Xiaolong (張小龍), Xu Jiajia (徐佳佳), Hu Shaocai (胡少才), Bao Wenjun (鮑文君), Qian Guangmin (錢廣敏), Ma Liang (馬良), Wang Linfeng (汪林峰) and Wang Fan (王凡), among whom, (i) each of Wei Chaoqun (韋超群), Zhou Zhenhuai (周振懷), Zhou Xiaolei (周小磊), Chen Lei (陳蕾), Wang Yan (汪燕), Tang Guihua (唐貴華) and Bao Wenjun (鮑文君) held 6.25% equity interest in Tongling Huiming, and each of Liu Xuyong (劉敘勇) and Qian Yanfei (錢雁飛) holds 5.21% equity interest in Tongling Huiming. Save as above, none of the shareholders held more than 5% equity interest in Tongling Huiming; and (ii) Sang Hui (桑慧) is a relative of Xu Fei (許飛, a shareholder of Tongling Weiyuan). As of the Latest Practicable Date, (i) each of the shareholders of Tongling Huiming is currently an employee of the Group; and (ii) other than Mr. Wang, each of the shareholders of Tongling Huiming is an Independent Third Party. Mr. Wang is the sole director of Tongling Huiming and is able to control its voting rights.

(3) Tongling Weiyuan was held by 13 individuals, namely Mr. Wang, Xu Fei (許飛), Wang Xuhui (王敘輝), Jiang Meiling (蔣美玲), Jiang Bao (江保), Fang Xuefei (方雪飛), Tao Yongqin (陶勇琴), Tang Lijin (湯立金), Wu Jiang (吳江), Xu Wenjuan (徐文娟), Wang Cui (王翠), Su Yong (蘇勇) and Zhang Bei (張備), among whom, (i) each of Xu Fei (許飛), Wang Xuhui (王敘輝), Jiang Meiling (蔣美玲), Jiang Bao (江保), Fang Xuefei (方雪飛), Tao Yongqin (陶勇琴), Tang Lijin (湯立金) and Wu Jiang (吳江) and Xu Wenjuan (徐文娟) held 8.51% equity interest in Tongling Weiyuan, and each of Wang Cui (王翠), Su Yong (蘇勇) and Zhang Bei (張備) holds 6.38% equity interest in Tongling Weiyuan. Save as above, none of the shareholders held more than 5% equity interest in Tongling Weiyuan; and (ii) Xu Fei (許飛) is a relative of Zhou Bin, and Jiang Bao (江保) is a relative of Jiang Chengjin (江成進, a shareholder of Tongling Zhiyuan). As of the Latest Practicable Date, (i) other than Tao Yongqin (陶勇琴) and Xu Wenjuan (徐文娟), each of the shareholders of Tongling Weiyuan is currently an employee of the Group; and (ii) other than Mr. Wang and Xu Fei (許飛), each of the shareholders of Tongling Weiyuan is an Independent Third Party. Mr. Wang is the sole director of Tongling Weiyuan and is able to control its voting rights.

(4) Tongling Zhiyuan was held by 48 individuals, namely Mr. Wang, Jiang Chengjin (江成進), Yao Nengzhi (姚能志), Chen Wanling (陳皖玲), Niu Xianjie (牛賢傑), Tang Zhiqiang (唐志強), Yu Bin (余彬), Jiang Dagan (江大幹), Xu Yunhua (許雲花), Bao Jie (包傑), Zhang Yaping (張雅萍), Wang Weixiang (王衛祥), Qian Peipei (錢佩佩), Chen Yong (陳勇), Zhang Jiajiu (張家久), Tong Fei (童飛), Wang Heng (汪恒), Tao Jianfu (陶健夫), Gao Jun (高俊), Wu Guoqing (吳國慶), Wen Jingguo (聞敬國), Hou Hongliang (侯紅亮), Gao Linyun (郜林雲), Cheng Zhihui (程智慧), Shi Junxiang (施俊祥), Wei Xue (魏雪), Cao Yeping (曹葉萍), Zhang Lu (章璐), Liu Chunlan (劉春蘭), Tong Junjun (童軍軍), Wan Lili (萬麗麗), Wang Xiaoyu (王曉宇), Zhang Anjun (張安君), Xu Xiangmei (徐祥梅), Wang Xianfu (汪先福), Bi Fangting (畢方婷), Song Qijian (宋齊健), Xing Daling (邢大玲), Cheng Feng (程峰), Wu Peng (吳鵬), Wei Lili (韋立立), Xu Lei (許磊), Ding Mengqin (丁夢琴), Chen Congcong (陳聰聰), Liu Yiqin (劉益琴), Zhang Guolin (張國林), Ruan Yongquan (阮永泉) and Zha Daoqiang (查道強), among whom, (i) none of the shareholders held more than 5% equity interest in Tongling Zhiyuan; and (ii) Tao Jianfu (陶健夫) is a relative of Tao Xu'an, Jiang Chengjin (江成進) is a relative of Jiang Bao (江保, a shareholder of Tongling Weiyuan), and Liu Yiqin (劉益琴) is a relative of Qian Yihua (錢奕華, a shareholder of Tongling Xuyuan). As of the Latest Practicable Date, (i) other than Yao Nengzhi (姚能志), Gao Linyun (郜林雲), Cheng Zhihui (程智慧) and Tang Zhiqiang (唐志強), each of the shareholders of Tongling Zhiyuan is currently an employee of the Group; and (ii) other than Mr. Wang and Tao Jianfu (陶健夫), each of the shareholders of Tongling Zhiyuan is an Independent Third Party. Mr. Wang is the sole director of Tongling Zhiyuan and is able to control its voting rights.

(5) Tongling Liyuan was held by 14 individuals, namely Mr. Wang, Zhu Xinlin (朱新林), Cai Weijin (蔡衛進), Wang Ting (王婷), Gao Ji (高躋), Shi Hongwen (史宏文), Pan Wenling (潘文玲), Zhou Yi (周怡), Song Fengping (宋豐平), Zhou Ting (周亭), Zhang Man (張曼), Zuo Dongmei (左冬梅), Huang Ming (黃銘) and Hu Xuehui (胡雪慧), among whom, (i) each of Zhu Xinlin (朱新林), Cai Weijin (蔡衛進), Wang Ting (王婷) and Gao Ji (高躋) held 11.11% equity interest in Tongling Liyuan, each of Mr. Wang, Shi Hongwen (史宏文), Pan Wenling (潘文玲), Zhou Yi (周怡), Song Fengping (宋豐平), Zhou Ting (周亭), Zhang Man (張曼), Zuo Dongmei (左冬梅), Huang Ming (黃銘) and Hu Xuehui (胡雪慧) held 5.56% equity interest in Tongling Liyuan. Save as above, none of the shareholders holds more than 5% equity interest in Tongling Liyuan; and (ii) Cai Weijin (蔡衛進) is a relative of Mr. Wang, Gao Ji (高躋) is a relative of Wang Qian (王茜, a shareholder of Tongling Xuyuan), Zhou Ting (周亭) is a relative of Wu Roujin (吳柔錦, a shareholder of Tongling Xuyuan), and Song Fengping (宋豐平) is a relative of Chen Xingxia (陳興霞, a shareholder of Tongling Xuyuan). As of the Latest Practicable Date, (i) each of the shareholders of Tongling Liyuan is currently an employee of the Group; and (ii) other than Mr. Wang and Cai Weijin (蔡衛進), each of the shareholders of Tongling Liyuan is an Independent Third Party. Mr. Wang is the sole director of Tongling Liyuan and is able to control its voting rights.

(6) All the entities in the chart above are incorporated in the PRC.

In anticipation of the Listing, our Group carried out the Reorganization, upon which our Company became the holding company and listing vehicle of our Group. The Reorganization included the following major steps:

Step 1: Capital Increase in Xiaocaiyuan Catering by Mr. Wu

On September 26, 2021, Mr. Wu Xianjie ("**Mr. Wu**"), an Independent Third Party, acquired RMB100,500 registered capital of Xiaocaiyuan Catering, which represented 0.50% of its registered capital after such shares issuance with a consideration of RMB1,015,000. Such consideration was determined based on the valuation report appraised by an independent professional valuer. Upon completion of the above capital increase, the registered capital of Xiaocaiyuan Catering was increased to RMB20,100,500, and it was held as to 99.50% and 0.50% by Xiaocaiyuan Holding and Mr. Wu, respectively.

Step 2: Establishment of offshore corporate structure and incorporation of our Company

In October 2021, (1) XCY Yongqing Limited was incorporated as a special purpose vehicle in BVI by Mr. Wang and the Other Individual Shareholders; (2) XCY Future Limited was incorporated as a special purpose vehicle in BVI by Mr. Wang; (3) XCY Xuyuan Limited, XCY Huiming Limited, XCY Weiyuan Limited, XCY Zhiyuan Limited and XCY Liyuan Limited (collectively as the "**BVI Shareholding Platforms**") were incorporated as special purpose vehicles in BVI by Mr. Wang, 129 employees of the Group, Mr. Wang Fuxiang and Ms. Wang Yuan. The identities of the shareholders of the BVI Shareholding Platforms are the same as the then limited partners of the PRC Shareholding Platforms. For details of the shareholders of XCY Yongqing Limited and the BVI Shareholding Platforms as of the Latest Practicable Date, please refer to the corporate structure chart under "– Corporate Structure" in this section.

On October 19, 2021, our Company was incorporated as an exempted company with limited liability in the Cayman Islands, with an authorized share capital of USD50,000 divided into 50,000 Ordinary Shares with a par value of USD1.00 each. Upon incorporation, one Ordinary Share of the Company was allotted and issued at par value to our initial subscriber, Harneys Fiduciary (Cayman) Limited, an Independent Third Party.

To reflect the relevant interests of the onshore shareholders of Xiaocaiyuan Holdings in the Company, on the even date, (i) the one Ordinary Share was transferred to XCY Yongqing Limited, and (ii) the Company issued 21,484.7 Ordinary Shares to XCY Yongqing Limited, 13,771.45 Ordinary Shares to XCY Xuyuan Limited, 2,800 Ordinary Shares to XCY Huiming Limited, 1,342.85 Ordinary Shares to XCY Weiyuan Limited, 3,485.7 Ordinary Shares to XCY Zhiyuan Limited, 1,028.55 Ordinary Shares to XCY Liyuan Limited and 6,085.75 Ordinary Shares to XCY Future Limited. The Company subsequently repurchased a total of 40,000 Ordinary Shares from XCY Yongqing Limited, XCY Xuyuan Limited, XCY Huiming Limited, XCY Weiyuan Limited, XCY Zhiyuan Limited, XCY Liyuan Limited and XCY Future Limited on pro rata basis at nil consideration on February 10, 2023. Upon completion of such share issuance and share repurchase, our Company was owned by XCY Yongqing Limited, XCY Xuyuan Limited, XCY Huiming Limited, XCY Weiyuan Limited, XCY Zhiyuan Limited, XCY Liyuan Limited and XCY Future Limited as to 42.97%, 27.54%, 5.60%, 2.69%, 6.97%, 2.06% and 12.17%, respectively.

On November 3, 2021, XCY 168 Limited was incorporated under the laws of the BVI with an authorized share capital of USD50,000 divided into 50,000 shares. On the same date, XCY 168 Limited allotted and issued 50,000 shares to the Company.

On November 24, 2021, Xiaocaiyuan HK was established in Hong Kong with an authorized share capital of HK$50,000. On the same date, Xiaocaiyuan HK allotted and issued 50,000 Shares to XCY 168 Limited at a consideration of HK$50,000.

Step 3: Establishment of Xiaocaiyuan Catering Holdings

On December 9, 2021, Xiaocaiyuan Catering Holdings was incorporated under the laws of the PRC with limited liability by Xiaocaiyuan HK with a registered capital of RMB50 million, which was fully paid up on April 13, 2023.

Step 4: Acquisition of all the equity interests in Xiaocaiyuan Catering by Xiaocaiyuan Catering Holdings

On December 31, 2021, Xiaocaiyuan Catering Holdings acquired (i) 99.50% equity interests in Xiaocaiyuan Catering from Xiaocaiyuan Holdings at a consideration of RMB20 million, which was determined with reference to the registered capital of Xiaocaiyuan Catering; and (ii) 0.50% equity interest in Xiaocaiyuan Catering from Mr. Wu at a consideration of RMB1,055,000, which was determined with reference to the consideration paid by Mr. Wu when subscribing the registered capital of Xiaocaiyuan Catering. Such considerations were fully settled on August 15, 2022.

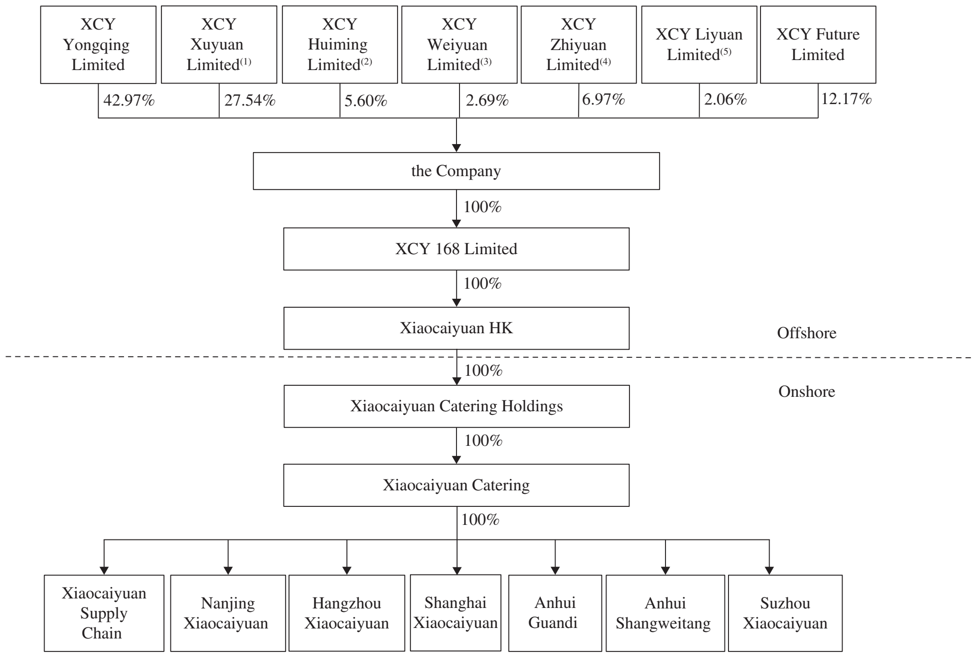
Step 5: Transfer of assets of Hongjingxuan Supply Chain to Xiaocaiyuan Supply Chain

Hongjingxuan Supply Chain, a wholly-owned subsidiary of Xiaocaiyuan Holdings and a connected person of the Company, provided procurement and logistics services to Xiaocaiyuan Catering in its ordinary course of business prior to January 2022. On June 23, 2021, Xiaocaiyuan Catering incorporated Xiaocaiyuan Supply Chain as its own supply chain platform. On December 25, 2022, for the purpose of further developing its own supply chain platform and acquiring the most valuable and suitable assets for the Company, as well as taking into consideration the prior cooperation relationship with Hongjingxuan Supply Chain, Xiaocaiyuan Supply Chain entered into an Asset Purchase Agreement with Hongjingxuan Supply Chain, pursuant to which, Hongjingxuan Supply Chain transferred its assets, including office facilities, environment protection facilities and food production and processing facilities to Xiaocaiyuan Supply Chain at a consideration of RMB6,259,666.25. On the even date, Xiaocaiyuan Supply Chain entered into a Property Transfer Agreement with Hongjingxuan Supply Chain, pursuant to which Hongjingxuan Supply Chain transferred its land use rights and ownership of buildings on the land to Xiaocaiyuan Supply Chain at a consideration of RMB59,637,896. Such considerations were determined based on the valuation of the transferred assets as appraised by an independent professional valuer and were fully settled on June 2, 2023.

Upon completion of the above asset transfers, Hongjingxuan Supply Chain had no business operation and was deregistered on September 20, 2023. As advised by our PRC legal advisor, Hongjingxuan Supply Chain was not involved in any material legal claims or litigations during the Track Record Period prior to its deregistration and its deregistration complied with the relevant PRC laws and requirements.

Our PRC legal advisor advised that all necessary approvals, permits and licenses required under the PRC laws and regulations in connection with the Reorganization that involved the PRC subsidiaries have been obtained, and the Reorganization has complied with all applicable PRC laws and regulations in all material respects.

The following chart sets forth the simplified corporate structure of our Group immediately after the Reorganization.



Notes:

Immediately after the Reorganization,

(1) XCY Xuyuan Limited was held by 38 individuals, and the identities of the shareholders of XCY Xuyuan Limited were the same as the partners of Tongling Xuyuan immediately prior to the Reorganization, excluding Lu Fenghan (盧鳳漢), Bao Wenjun (鮑文君) and Wang Mohua (王末花) who transferred their interests to Mr. Wang. Please refer to the notes to the simplified corporate structure of Xiaocaiyuan Catering prior to the Reorganization.

(2) XCY Huiming Limited was held by 21 individuals, and the identities of the shareholders of the XCY Huiming Limited were the same as the partners of Tongling Huiming immediately prior to Reorganization. Please refer to the notes to the simplified corporate structure of Xiaocaiyuan Catering prior to the Reorganization.

(3) XCY Weiyuan Limited was held by 11 individuals, and the identities of the shareholders of XCY Weiyuan Limited were the same as the partners of Tongling Weiyuan immediately prior to the Reorganization, excluding Tao Yongqin (陶勇琴) and Xu Wenjuan (徐文娟) who transferred their interests to Mr. Wang. Please refer to the notes to the simplified corporate structure of Xiaocaiyuan Catering prior to the Reorganization.

(4) XCY Zhiyuan Limited was held by 32 individuals, and the identities of the shareholders of XCY Zhiyuan Limited were the same as the partners of Tongling Zhiyuan immediately prior to the Reorganization, excluding Yao Nengzhi (姚能志), Yu Bin (余彬), Bao Jie (包傑), Zhang Yaping (張雅萍), Wu Guoqing (吳國慶), Wen Jingguo (聞敬國), Hou Hongliang (侯紅亮), Gao Linyun (郜林雲), Cheng Zhihui (程智慧), Shi Junxiang (施俊祥), Zhang Lu (章璐), Liu Chunlan (劉春蘭), Tong Junjun (童軍軍), Wu Peng (吳鵬), Chen Congcong (陳聰聰) and Ruan Yongquan (阮永泉) who transferred their interests to Mr. Wang. Please refer to the notes to the simplified corporate structure of Xiaocaiyuan Catering prior to the Reorganization.

(5) XCY Liyuan Limited was held by 12 individuals, and the identities of the shareholders of XCY Liyuan Limited were the same as the partners of Tongling Liyuan immediately prior to the Reorganization, excluding Shi Hongwen (史宏文) and Zhou Yi (周怡) who transferred their interests to Mr. Wang. Please refer to the notes to the simplified corporate structure of Xiaocaiyuan Catering prior to the Reorganization.

PRE-IPO INVESTMENTS

2022 Issuance of the First Series Convertible Bonds

On November 27, 2022, the Company, XCY 168 Limited, Xiaocaiyuan HK, Xiaocaiyuan Catering Holdings, Xiaocaiyuan Catering, the BVI Entities, Mr. Wang and Other Individual Shareholders entered into an investment agreement and a shareholders' agreement with Harvest Delicacy (the "**First Series Convertible Bonds Agreements**"), and a supplemental agreement on December 29, 2022, pursuant to which Harvest Delicacy agreed to subscribe for the First Series Convertible Bonds to be issued by the Company at a consideration of RMB150 million in equivalent US dollars. The First Series Convertible Bonds were issued on February 28, 2023.

2023 Issuance of the Second Series Convertible Bonds

On June 28, 2023, the Company, XCY 168 Limited, Xiaocaiyuan HK, Xiaocaiyuan Catering Holdings, Xiaocaiyuan Catering, the BVI Entities, Mr. Wang and Other Individual Shareholders entered into an investment agreement with Jiahua Chuangjia (Hainan) Investment Partnership (Limited Partnership) (加華創佳(海南)投資合夥企業(有限合夥)) ("**Jiahua Chuangjia**") and Harvest Delicacy and a shareholders' agreement with Harvest Delicacy (the "**Second Series Convertible Bonds Agreements**"), pursuant to which Harvest Delicacy agreed to further subscribe for the Second Series Convertible Bonds to be issued by the Company at a consideration of RMB250 million in equivalent US dollars. The Second Series Convertible Bonds was subsequently canceled on December 1, 2023 taking into consideration of the timetable for the Global Offering and time needed to complete the foreign investment filing procedures under the PRC law for the conversion from the bonds into preferred shares of the Company.

2023 Issuance of the First Round Preferred Shares

On December 1, 2023, the Company, XCY 168 Limited, Xiaocaiyuan HK, Xiaocaiyuan Catering Holdings, Xiaocaiyuan Catering, the BVI Entities, Mr. Wang and Other Individual Shareholders entered into the first round investment agreement and the second amended shareholders' agreement ("**First Round Preferred Shares Agreements**") with Jiayu Jiahua (Tianjin) Equity Investment Fund Partnership (Limited Partnership) (嘉裕加華(天津)股權投資基金合夥企業(有限合夥)) ("**Jiayu Jiahua**"), Jiahua Chuangjia and Harvest Delicacy, pursuant to which Harvest Delicacy agreed to subscribe for the First Round Preferred Shares at a consideration of RMB400 million in equivalent US dollars, among which, (i) the amount of RMB150 million in equivalent US dollars settled under the First Series Convertible Bonds would be used as the consideration to subscribe for 242.19 First Round Preferred Shares, and the conversion of First Series Convertible Bonds to First Round Preferred Shares was completed at the same time; and (ii) the amount of RMB250 million in equivalent US dollars under the Second Series Convertible Bonds would be used as the consideration to subscribe for 403.66 First Round Preferred Shares, and the Second Series Convertible Bonds was canceled at the same time. Upon completion of the above transactions, Harvest Delicacy held 645.85 First Round Preferred Shares of the Company.

2023 Issuance of the Second Round Preferred Shares

On December 1, 2023, the Company, XCY 168 Limited, Xiaocaiyuan HK, Xiaocaiyuan Catering Holdings, Xiaocaiyuan Catering, the BVI Entities, Mr. Wang and Other Individual Shareholders entered into the second round investment agreement with Jiahua Chuangyi (Hainan) Investment Partnership (Limited Partnership) (加華創屹(海南)投資合夥企業(有限合夥)) ("**Jiahua Chuangyi**", together with Harvest Delicacy, Jiahua Chuangjia and Jiayu Jiahua, the "**Pre-IPO Investors**") and Harvest Delicacy and the third amended shareholders' agreement with the Pre-IPO Investors ("**Second Round Preferred Shares Agreements**"), pursuant to which, Harvest Delicacy agreed to subscribe for 107.53 Second Round Preferred Shares at a consideration of RMB100 million in equivalent US dollars.

The First Round Preferred Shares and Second Round Preferred Shares will be automatically converted into Ordinary Shares based on a conversion ratio of one Preferred Share to one Ordinary Share upon completion of the Global Offering. Details of the Pre-IPO Investments are set out as follows:

Pre-IPO Investment	Subscriber	Total consideration paid(1)	Cost per Share(2)	Discount/ (Premium) to the Offer Price(3)	Date of settlement	Shareholding in our Company immediately before the Global Offering	Shareholding in our Company immediately after the Global Offering(4)
First Series Convertible Bonds	Harvest Delicacy	RMB150 million(5)	N/A	N/A	February 28, 2023	N/A	N/A
Second Series Convertible Bonds	Harvest Delicacy	RMB250 million(5)	N/A	N/A	N/A(5)	N/A	N/A
First Round Preferred Shares	Harvest Delicacy	N/A(5)	RMB6.19	21.10%	December 18, 2023	6.01%	5.49%
Second Round Preferred Shares	Harvest Delicacy	RMB100 million	RMB9.30	(18.47)%	January 8, 2024	1.00%	0.91%
Total	N/A	RMB500 million	N/A	N/A	N/A	7.01%	6.40%

Notes:

(1) The consideration was determined through arm's length negotiation with reference to the timing of the investments, our funding needs, our valuation at the time of the investment, our business status, development and the prospects being considered as a whole.

(2) Calculated based on the assumption that the Share Subdivision has been completed.

(3) Calculated based on the Offer Price is HK$8.50 per Share.

(4) Assuming the Over-allotment Option is not exercised.

(5) Among the consideration of RMB400 million used to subscribe for the First Round Preferred Shares, (i) the amount of RMB150 million in equivalent US dollars settled under the First Series Convertible Bonds would be used as the consideration to subscribe for 242.19 First Round Preferred Shares, and the conversion of First Series Convertible Bonds to First Round Preferred Shares was completed at the same time; and (ii) the amount of RMB250 million in equivalent US dollars under the Second Series Convertible Bonds would be used as the consideration to subscribe for 403.66 First Round Preferred Shares and the Second Series Convertible Bonds was canceled at the same time.

Principal terms of the Pre-IPO Investments and Pre-IPO Investor's Rights

The table below sets forth the other principal terms of the Pre-IPO Investments:

Use of proceeds from the Pre-IPO Investments	We will utilize the proceeds from the Pre-IPO Investments for the principal business of our Group, including but not limited to growth and expansion of our Group's business and the general working capital purposes. As of the Latest Practicable Date, approximately 16.55% of the funds raised from the Pre-IPO Investments have been utilized.
Lock-up	For details, see "Voluntary Lock-up of the Shareholders" below.
Special rights of the Pre-IPO Investors	The Pre-IPO Investors were granted customary special rights, including but not limited to information rights, inspection rights, rights of first refusal, co-sale rights, pre-emptive rights, rights of directors' appointment, anti-dilution rights and redemption rights, out of which: (i) the redemption rights have been terminated upon the submission of listing application by the Company to the Stock Exchange on January 16, 2024, and shall resume to be exercisable automatically upon the earliest of (a) the withdrawal of the listing application by our Company or the withdrawal of the sponsorship for the Company's listing application by the Joint Sponsors; (b) the Company failing to complete the Listing or the filing with the CSRC within 18 months after the submission of the Company's listing application to the Stock Exchange; (c) the Company failing to complete the Listing within 12 months after passing the hearing for the Company's listing application for any reason; or (d) the Stock Exchange, SFC or CSRC rejecting the Company's listing application; and (ii) all the other special rights shall cease to be exercisable upon Listing.
Strategic benefits from the Pre-IPO Investments	Our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-IPO Investors' investments in our Company, insights for industry, advice on business expansion, and planning on brand strategic direction that the Pre-IPO Investors may bring to our Company. Our Directors are also of the view that the Pre-IPO Investors' investments in our Company demonstrated their confidence in our Group's operations and served as an endorsement of our Company's performance, strengths and prospects.

Information about the Pre-IPO Investors

Among all the Pre-IPO Investors, (i) Jiahua Chuangjia is a limited partnership established under the laws of the PRC on June 2, 2023 and is owned by Jiahua Yufeng (Tianjin) Equity Investment Management Partnership (Limited Partnership) (加華裕豐(天津)股權投資管理合夥企業(有限合夥)) ("**Jiahua Yufeng**") as to 0.004% as its general partner, and Jiayuan Jiahua (Tianjin) Venture Capital Partnership (Limited Partnership) (嘉元加華(天津)創業投資合夥企業(有限合夥)) ("**Jiayuan Jiahua**") and Jiahui Jiahua (Tianjin) Venture Capital Partnership (Limited Partnership) (嘉匯加華(天津)創業投資合夥企業(有限合夥)) ("**Jiahui Jiahua**") as to 69.1% and 30.9%, respectively, as its limited partners. Each of Jiayuan Jiahua and Jiahui Jiahua is managed by Jiahua Yufeng, which is owned by Mr. Song Xiangqian ("**Mr. Song**") as to 0.001% as its general partner and Harvest Capital Management Co., Ltd. (加華資本管理股份有限公司) ("**Harvest Capital**") as to 99.999% as its limited partner; (ii) Jiayu Jiahua is a limited partnership established under the laws of the PRC on September 28, 2020 and is owned by Jiahua Yufeng as to 0.01% as its general partner and Harvest Capital as to 34.6% as its limited partner. No other limited partner of Jiayu Jiahua holds over 30% of the partnership interest therein; (iii) Jiahua Chuangyi is a limited partnership established under the laws of the PRC on October 19, 2023 and is owned by Jiahua Yufeng as to 0.01% as its general partner and Jiaming Jiahua (Tianjin) Venture Capital Partnership (Limited Partnership) (嘉銘加華(天津)創業投資基金合夥企業(有限合夥)) ("**Jiaming Jiahua**") as to 99.99% as its limited partner. Jiaming Jiahua is managed by Jiahua Yufeng; and (iv) Harvest Delicacy is a limited liability company incorporated under the laws of BVI on October 28, 2022 and is owned by Harvest Capital Management Limited, Jiahua Chuangjia, Jiayu Jiahua and Jiahua Chuangyi as to 0.02%, 25.1%, 21.0% and 14.3%, respectively. No other shareholder of Harvest Delicacy holds over 30% of the shareholding interests therein. Each of the Pre-IPO Investors is ultimately controlled by Mr. Song, an Independent Third Party. Mr. Song founded Harvest Capital (including its predecessor) in 2007 and has been acting as its chairman since then. Harvest Capital primarily focuses on investment in consumer and modern service industries and is also controlled by Mr. Song.

COMPLIANCE WITH PRE-IPO INVESTMENT GUIDANCE

On the basis that (i) the consideration for the Pre-IPO Investments was irrevocably settled on January 8, 2024, which will be no less than 120 clear days before the Listing Date; and (ii) the special rights granted to the Pre-IPO Investors shall cease to be exercisable upon the Listing (save for the redemption rights as described above), the Joint Sponsors confirm that the Pre-IPO Investments are in compliance with the Chapter 4.2 under the Guide for New Listing Applicants published by the Stock Exchange effective from January 1, 2024.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We did not acquire any subsidiary or business during the Track Record Period thus Rule 4.05A of the Listing Rules is not applicable. Additionally, we had no acquisitions, disposals or mergers that we consider to be material during the Track Record Period and up to the Latest Practicable Date.

VOLUNTARY LOCK-UP OF THE SHAREHOLDERS

For the purpose of demonstrating the confidence of the existing shareholders to the business and prospects of the Company, each of the Pre-IPO Investors agrees that (a) during the period of six months from the Listing Date, it shall not dispose of any of Shares it held in the Company; and (b) during the period from the expiration of six months after the Listing Date and ending on the 12th months after the Listing Date, it shall decrease its shareholding in the Company to the extent no more than 4% of the total issued share capital of the Company at the time of Listing. In addition, each of the shareholders of the BVI entities (excluding Ms. Wang Yuan and Mr. Wang Fuxiang) agrees that (a) during the period of 18 months from the Listing Date, he/she shall not dispose of any of the Shares he/she held, directly or indirectly, in the Company; (b) upon the expiration of the 18 months period after the Listing Date, the shareholders of the BVI entities, in total, shall decrease their shareholding in the Company at the time of Listing to the extent no more than 45%, subject to the condition that during the period of 18 months to 30 months, 30 months to 42 months, 42 months to 54 months, 54 months to 66 months from the Listing Date and upon the expiration of the 66 months period after the Listing Date, they shall decrease their shareholdings in the Company at the time of Listing to the extent no more than 27%, 4.5%, 4.5%, 4.5% and 4.5% at each respective period. Furthermore, each of Mr. Wang Fuxiang and Ms. Wang Yuan agrees not to dispose of any of the Shares he/she held, directly or indirectly, in the Company within 12 months after the Listing Date.

PUBLIC FLOAT

Upon completion of the Global Offering, the 1,000,000,000 Shares controlled by Mr. Wang through the BVI Entities, representing 85.00% of the total issued Shares immediately after the Global Offering (assuming the Over-allotment Option is not exercised), will not be counted towards the public float of the Company.

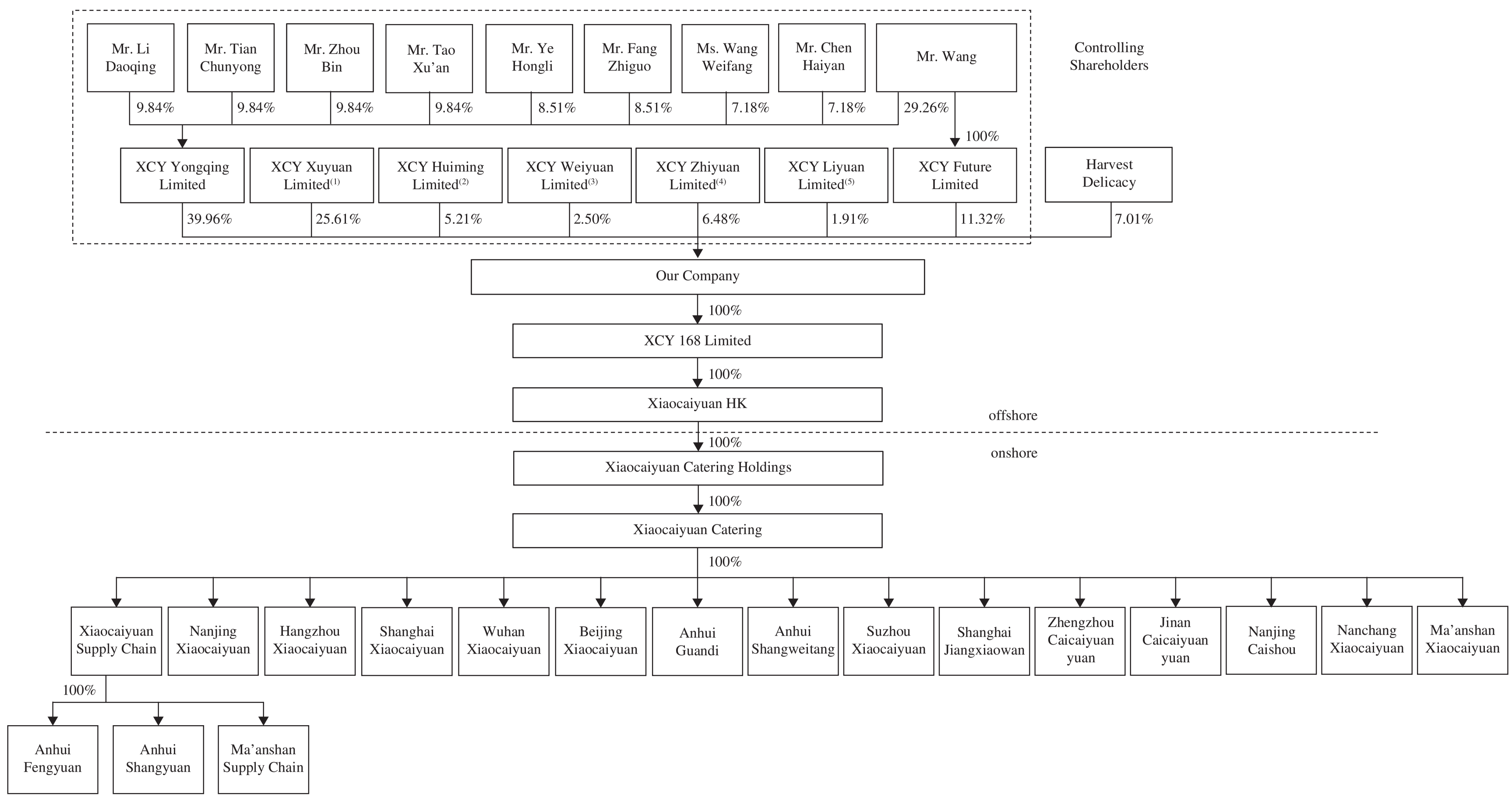
Save as provided above, as at the date of this prospectus, no other Shareholder will be a core connected person of the Company (as defined in the Listing Rules) upon Listing. The Shares held by Harvest Delicacy, representing 7.01% of the total issued Shares of the Company immediately prior to the completion of the Global Offering and approximately 6.40% of the total issued Shares of the Company immediately after the Global Offering (assuming the Over-allotment Option is not exercised), will count towards the public float of the Company.

Taking into account the above and the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised), 15.00% of the total issued Shares upon Listing will be counted towards the public float of the Company.

CORPORATE STRUCTURE

Corporate Structure before the Global Offering

The following diagram illustrates the corporate and shareholding structure of our Company immediately prior to the completion of the Global Offering:



Notes:

(1) As of the Latest Practicable Date, XCY Xuyuan Limited is held by 36 individuals, which are the same as the shareholders of the XCY Xuyuan Limited after the Reorganization, except that Wang Yuanjun (王元俊) and Xie Sihui (謝思慧) transferred all their equity interests in XCY Xuyuan Limited to Mr. Wang respectively and ceased to be shareholders of XCY Xuyuan Limited. Please refer to the notes to the corporate structure of (i) Xiaocaiyuan Catering prior to the Reorganization; and (ii) of our Group immediately after the Reorganization.

(2) As of the Latest Practicable Date, XCY Huiming Limited is held by 21 individuals, which are the same as the shareholders of the XCY Huiming Limited after the Reorganization. Please refer to the notes to the corporate structure of (i) Xiaocaiyuan Catering prior to the Reorganization; and (ii) of our Group immediately after the Reorganization.

(3) As of the Latest Practicable Date, XCY Weiyuan Limited is held by 11 individuals, which are the same as the shareholders of the XCY Weiyuan Limited after the Reorganization. Please refer to the notes to the corporate structure of (i) Xiaocaiyuan Catering prior to the Reorganization; and (ii) of our Group immediately after the Reorganization.

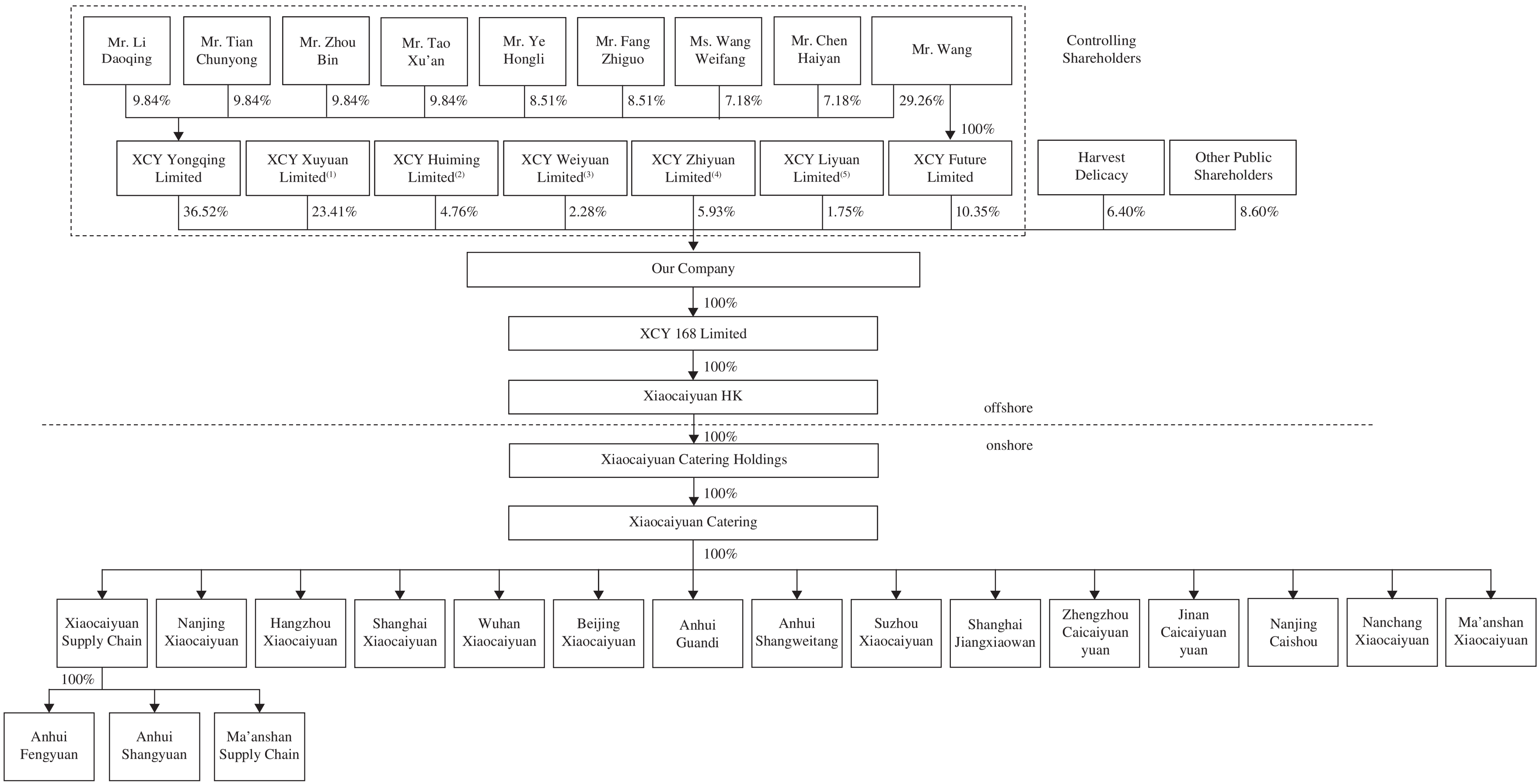
(4) As of the Latest Practicable Date, XCY Zhiyuan Limited is held by 32 individuals, which are the same as the shareholders of the XCY Zhiyuan Limited after the Reorganization. Please refer to the notes to the corporate structure of (i) Xiaocaiyuan Catering prior to the Reorganization; and (ii) of our Group immediately after the Reorganization.

(5) As of the Latest Practicable Date, XCY Liyuan Limited is held by 12 individuals, which are the same as the shareholders of the XCY Liyuan Limited after the Reorganization. Please refer to the notes to the corporate structure of (i) Xiaocaiyuan Catering prior to the Reorganization; and (ii) of our Group immediately after the Reorganization.

(6) Please refer to the notes to the corporate structure of (i) Xiaocaiyuan Catering prior to the Reorganization; and (ii) of our Group immediately after the Reorganization, as well as the section headed "Directors and Senior Management" for the relationship among existing shareholders of the Company with its Directors and senior management members.

Corporate Structure immediately following the completion of the Global Offering

The following diagram illustrates the corporate and shareholding structure of our Company immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised:



Notes:

(1)-(5): Please refer to the shareholding and corporate structure immediately prior to the completion of the Global Offering.

PRC REGULATORY REQUIREMENTS

Regulations on Overseas Listing

On February 17, 2023, the CSRC released the Overseas Listing Trial Measures and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to list overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas offering and listing will be deemed as an indirect overseas offering and listing by a domestic enterprise: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (ii) its major operational activities are carried out in the PRC or its main places of business are located in the PRC, or a majority of the senior management in charge of operation and management of the issuer are Chinese citizens or are domiciled in the PRC.

Subject to the Overseas Listing Trial Measures, we are required to go through the filing procedures with the CSRC after the submission of our application for the initial public offering to the Stock Exchange and to obtain the CSRC notification of filing completion with respect to the Listing. We submitted the filing application to the CSRC on January 18, 2024 for the Global Offering and the listing of the Shares on the Stock Exchange, and the CSRC issued a notification on our completion of the PRC filing procedures for the listing of our Shares on the Stock Exchange and the Global Offering on August 23, 2024. For details, please see "Regulatory Overview – Regulations on Overseas Securities Offering and Listing" in this prospectus.

M&A Rules

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, merger and acquisition of domestic enterprises by foreign investors means (1) acquiring the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (2) subscribing the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (3) establishing a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (4) purchasing the assets of a domestic enterprise, and then investing such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special purpose vehicle, formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

Our PRC Legal Advisor is of the opinion that, based on its understanding of the current PRC laws and regulations, each of the CSRC approval for the Global Offering and MOFCOM approval is not required under the M&A Rules because Xiaocaiyuan Catering was a Sino-foreign joint venture at the time of the acquisition of its equity interests by Xiaocaiyuan Catering Holdings.

SAFE Registration in the PRC

Pursuant to the SAFE Circular 37, promulgated by SAFE and which became effective on July 14, 2014 and replaced the Circular of the SAFE on Foreign Exchange Administration of Equity Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), (i) a PRC resident must register with the local SAFE branch in connection with their contribution of offshore or domestic assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting overseas investment or financing, and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties. In addition, due to such failure to comply with the registration procedures, the PRC subsidiaries of that Overseas SPV may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the Overseas SPV and its offshore subsidiary may be restricted in their ability to contribute additional capital to their PRC subsidiaries.

Pursuant to the 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》), promulgated by SAFE and effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to qualified banks.

As advised by our PRC Legal Advisor, as at the Latest Practicable Date, Mr. Wang and other individual beneficial owners of each of the BVI Entities who are PRC residents have completed the foreign exchange registrations in November 2021.

OVERVIEW

We are one of the renowned self-operated chain restaurants in China's mass Chinese cuisine market. According to Frost & Sullivan, the mass Chinese cuisine market is a sub-segment of Chinese cuisine market with average spending per consumer below RMB100. Capitalizing on our deep comprehension of China's evolving catering industry, the anticipated modernization and industrialization in the industry, and the inherent consumer demand, we strategically ventured into the growing mass Chinese cuisine sector. Since our establishment in 2013, we have been striving to offer consumers home-style flavor dishes and attentive services at affordable prices. We aspire to establish our *Xiaocaiyuan* restaurants as the "home kitchen" widely acknowledged by Chinese consumers. As of the Latest Practicable Date, we had 663 self-operated restaurants under operation, with a coverage of 146 cities or counties across 14 provinces in China. Currently, our major areas of restaurant operations are in Eastern China. According to Frost & Sullivan, in terms of the restaurant revenue for 2023, *Xiaocaiyuan* ranked first among all brands in China's mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100, accounting for a market share of 0.2%. The market size, measured by revenue, of the mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100 was RMB2,252.9 billion in 2023, accounting for approximately 55.2% of the overall Chinese cuisine market.

Market Opportunities

China's economic and social landscapes are experiencing complex and significant transformations. Firstly, the per capita disposable income of urban households remain stable growth but at a slower rate, fueling a growing demand for mass Chinese cuisine. The per capita disposable income of urban households in China increased at a CAGR of 5.7% from 2018 to 2023, and its growth is expected to slow down to a CAGR of 5.5% from 2023 to 2028. The per capita food consumption expenditure in China increased at a CAGR of 7.4% from 2018 to 2023, and is expected to increase to a CAGR of 5.2% from 2023 to 2028. The per capita savings rate in China increased from approximately 43.6% in 2018 to approximately 59.8% in 2023. Secondly, the mass Chinese cuisine market is further propelled by urbanization in China, with the urbanization rate increasing from 59.6% in 2018 to 66.2% in 2023, and is expected to increase to 70.7% in 2028. The migration of population to urban areas has perpetuated a consistent surge in demand for mass Chinese cuisine. Thirdly, substantial changes in the demographic structure also transform the development of the catering industry in China, in particular stimulating the growth of the sub-segment with average spending per consumer below RMB100. In light of the increasing prevalence of smaller-size family, with the families consisting of two or three members rising from 68.4% in 2018 to 75.7% in 2023 as a percentage of the total number of families in China, the falling birth rate from 10.9‰ in 2018 to 6.4‰ in 2023, and the rising aging rate from 11.9% in 2018 to 15.4% in 2023, more and more people prefer restaurants that offer affordable dining experiences, thereby catalyzing the expansion of the mass Chinese cuisine market.

As a result, the dynamic and evolving mass Chinese cuisine market accommodates the persistent and increasing demand of the vast consumer base for affordable dining experiences, demonstrating its immense size and growth potential. In 2023, the mass Chinese cuisine market reached a market size of RMB3,618.7 billion, making it the largest segment within the Chinese cuisine industry. The market size of the mass Chinese cuisine market is projected to increase at a CAGR of 9.1% from 2023 to 2028 and reach RMB5,587.1 billion in 2028. Particularly, the sub-segments with average spending per consumer below RMB50 and between RMB50 and RMB100 have both demonstrated strong growth momentums, with their respective market sizes being RMB1,365.8 billion and RMB2,252.9 billion in 2023, and expected to reach RMB2,137.6 billion and RMB3,449.5 billion in 2028, respectively. Given the long-term established leadership of our *Xiaocaiyuan* brand in the mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100, coupled with our expansion into the sub-segment with average spending per consumer below RMB50, we believe that the present market dynamics and future growth prospects present favorable external conditions and opportunities for our continued development.

What Makes Us Special

Leveraging our market acumen and modern management system, we have strategically harnessed the growth potential in the rapidly expanding mass Chinese cuisine market, thereby establishing a competitive advantage and a formidable business stronghold against our rivals.

- ***Capitalizing on market trends and creating consumer value.*** Our management foresaw the opportunities within the mass Chinese cuisine market, giving us the first-mover advantage in establishing a leading market position. By ensuring and improving consumer satisfaction, we strive to understanding consumers' preferences and have built a broad customer base and wide market recognition. Amidst economic development and demographic transformation, consumer preferences lean towards quality dishes and services that offer affordable dining experiences. An increasing number of consumers are pursuing restaurants offering convenient, safe, delicious and healthy daily meals as an alternative of cooking at home to improve life quality. As such, adhering to our renowned three commitments to the consumers, we present them delicious meals of home-style tastes and attentive service at affordable prices, establishing ourselves as the "home kitchen" for our customers.

- ***Comprehensive services covering both dine-in and food delivery scenarios.*** To break the inherent spatial and temporal constraints of traditional brick-and-mortar restaurants, we strive to forge an integrated and robust business model that pivots around our restaurant operations, complemented by food delivery business and the newly launched new retail business that enrich our offerings. During the Track Record Period, we have achieved rapid growth for our delivery business. The revenue of our delivery business as a percentage of our revenue has substantially increased from 15.5% in 2021 to 32.0% in 2022, remained stable at 32.8% in 2023, and further increased to 37.0% in the eight months ended August 31, 2024. Delivery business has become a robust supplement to our restaurant operations while generating valuable information that reciprocally augment the efficiency of our overall operations. Furthermore, we have officially launched our new retail business, taking advantage of our extensive restaurant network, standardization management system, capabilities in supply chain management as well as our application of information technologies to sell quality and healthy food ingredient products.

- ***Dedication to scientific management and advanced restaurants management.*** Leveraging our deep insights of the mass Chinese cuisine market, we have instituted a standardized and scientific management system, enhancing the scalability and replicability of our restaurants:

  - o We are persistently developing and optimizing our highly standardized management system, facilitating our rapid expansion and effective cost control. Our standardization penetrates different aspects of operations, from menu, service standards, supply chain management, training, food safety and quality control to restaurant network expansion. We insist on standardization without compromising the quality and taste of our dishes, all of which are freshly cooked with "Wok Hei" (breath of the wok). For instance, we started the installation of cooking robots in certain restaurants supported by programming management and configuration through SaaS platform from our headquarters, and have adopted a scientific food ingredients forecasting mechanism, ensuring efficient and methodical kitchen management.

- o We prioritize utilizing digital tools and information technology systems in our operations, with a keen focus on realizing advanced restaurant management and achieving sustainable growth informed and empowered by data insights. We have been constructing a digitalized business management platform, underpinned by our established membership system, business intelligence (BI) system, business middle-end system, smart camera system and other smart devices.

  - We design and build our membership system to cultivate the lifetime customer value of our extensive consumer base. It aggregates consumer traffic from various channels and generate insightful consumption understanding, informing our business decisions and increasing customer repurchases. We believe that the growth in the scale of and repurchase from members would form a critical driver for our future development.

  - Our BI system supports data collection, cleaning, analysis and visualization, allowing us to efficiently locate useful information from massive data. It helps us to form deep insights in restaurant operation and management and consumer preferences, fueling our growth and informing our business decisions in the future.

  - Our business middle-end system amalgamates business and financial systems to facilitate collaborations of frontline, middle-office and back-office employee.

  - Our smart camera system supports a 360-degree coverage of our operations in kitchen areas. We are progressively refining this system, introducing AI modules for automated detection, reporting and documentation of behaviors and incidents potentially not in compliance with our internal rules, enhancing the efficiency of our online and offline restaurant inspection program.

- ***Stringent quality control from the source and supply chain management.*** We have established a comprehensive cold chain logistics and warehousing supply chain network, featuring standardized and centralized procurement of healthy, fresh and quality food ingredients, efficient ingredient cleaning, cutting and portioning, precise daily restaurant replenishment mechanism, stringent quality assurance and effective cost control.

  o We place significant emphasis on quality control from their places of origins and have accumulated strong procurement experiences and capabilities, underscored by the strategic deployment for procurement of key food ingredients. We insist on using healthy, fresh and quality food ingredients to serve our customers. We have in place standards for screening and selecting suppliers for each type of key ingredients. We have established long-term relationship with a number of reputable suppliers, including Nongfu Spring, Yihai Kerry and Dahu Aquaculture.

- o We launched the digital supply chain system that supports online monitoring and management across different stages of our supply chain and we intend to further enhance it by building in a quality control traceability management module.

- o We implemented a standardized and centralized procurement approach, and have successfully centralized procurement for substantially all of our food ingredients. This has enhanced our bargaining power to realize effective cost control and economies of scale.

- o Our self-built cold chain logistics and warehousing system supports our precise daily restaurant replenishment mechanism, thereby ensuring the freshness of the food ingredients used in our operations.

Our Performance

In 2021, 2022 and 2023, we have achieved rapid growth and maintained profitability, exceeding the industry level. These not only showcase our business resilience amidst the COVID-19 pandemic but also underscore our capacity for robust recovery in the post-pandemic period. In the eight months ended August 31, 2024, we achieved stable growth and expansion in terms of restaurant network, revenue and net profit as compared to the same period in 2023.

- ***Revenue.*** Despite the challenges brought by the COVID-19 pandemic to the catering industry in China, our revenue increased from RMB2,645.8 million in 2021 to RMB3,213.4 million in 2022 and increased to RMB4,549.4 million in 2023. In 2023, our revenue increased by 41.6% as compared to that in 2022. Our revenue increased from RMB3,070.3 million in the eight months ended August 31, 2023 to RMB3,544.0 million in the eight months ended August 31, 2024.

- ***Number of self-operated restaurants.*** The total number of our self-operated restaurants increased from 278 at the beginning of the Track Record Period to 640 as of August 31, 2024.

- ***Same store sales growth.*** Our same store sales for *Xiaocaiyuan* restaurants increased by 1.2% from 2021 to 2022, and further increased by 20.8% from 2022 to 2023. Our same store sales for *Xiaocaiyuan* restaurants decreased by 11.4% in the eight months ended August 31, 2024 as compared to the same period in 2023.

- ***Restaurant-level operating margin.*** In 2021, 2022 and 2023, we recorded restaurant-level operating margins of 15.9%, 14.2% and 19.7%, respectively. In the eight months ended August 31, 2024, we recorded restaurant-level operating margins of 17.8%.

- ***Profitability.*** Despite the COVID-19 pandemic, our net profit increased from RMB227.1 million in 2021 to RMB237.6 million in 2022, and it further increased by 124.0% to RMB532.1 million in 2023. Our net profit increased by 1.5% to RMB400.6 million in the eight months ended August 31, 2024, as compared to RMB394.8 million in the eight months ended August 31, 2023. Our net profit margins were 8.6% in 2021 and 7.4% in 2022, and increased to 11.7% in 2023, and remained relatively stable at 11.3% in the eight months ended August 31, 2024.

Our Exploration in Chinese Cuisine Community Catering Market

With 117,500 communities and 933 million community residents in China as of December 31, 2023, the Chinese cuisine community catering market boasts a growing customer base with great potential. In recent years, a variety of governmental policies were rolled out reiterating that community catering business affects the daily lives of each individual and offers benefits to both the nation and its citizens, such as the Notice on Carrying Out Pilot Projects for Comprehensive Community Construction (《關於開展完整社區建設試點工作的通知》) released by Ministry of Housing and Urban-Rural Development and Ministry of Civil Affairs in October 2022 and the 2023-2025 Action Plan Related to Construction of the Urban 15-Minute Convenient Life Circle released collectively by the Ministry of Commerce and twelve other departments in July 2023. We have embarked our journey of exploring the extensive Chinese cuisine community catering market and firmly view it as a potential driver of our future growth. Capitalizing on our experiences and strengths accumulated from the operation of *Xiaocaiyuan* restaurants, we endeavor to develop, broaden and refine our community catering business to serve as the alternative to cooking at home for consumers, with the ultimate goal of becoming a household name for Chinese families and a part of their lives. We intend to build a community catering restaurant network featuring the followings: (i) restaurant sites located in densely populated areas, with communities and office buildings nearby, (ii) average spending per consumer between RMB20 to RMB40, (iii) self-service model, (iv) standardized kitchen operation supported by smart devices, and (v) digital management. See "– Our Community Catering Business."

COMPETITIVE STRENGTHS

One of the renowned self-operated chain restaurants in the growing mass Chinese cuisine market, favorably positioned to capture future market opportunities

China's economic and social landscapes are experiencing complex and significant transformations, providing growth opportunities in the mass Chinese cuisine market. The consistent growth of per capita disposable income of urban households remain stable growth but at a slower rate, the escalating migration of populations to urban areas, as well as the substantial changes in the demographic structure collectively stimulate the sustainable growth of this market.

The mass Chinese cuisine market caters to the consistent and regular demands of an expanding consumer base in pursuit of dining options. The mass Chinese cuisine market is rapidly expanding and has a growing market size. In 2023, the mass Chinese cuisine market had a market size of RMB3,618.7 billion, making it the largest segment within the Chinese cuisine industry. It is projected to increase at a CAGR of 9.1% from 2023 to 2028 and reach RMB5,587.1 billion in 2028. Despite the swift expansion of the mass market Chinese cuisine sector in recent years, the existing offerings have yet to fully meet the consumers' daily culinary expectations in terms of both magnitude and quality. We firmly believe that this market harbours significant unexplored growth potential.

Our management foresaw the opportunities within the mass Chinese cuisine market, granting us the first-mover advantage and facilitating the establishment of our presence. In 2013, we established *Xiaocaiyuan* brand to focus on the mass Chinese cuisine market. After a decade of efforts, we have become the "home kitchen" for a broad base of our customers. As of the Latest Practicable Date, we had 663 restaurants under operation (including 658 *Xiaocaiyuan* restaurants and five restaurants under other brands), with a coverage of 146 cities or counties across 14 provinces in China. According to Frost & Sullivan, in terms of the restaurant revenue for 2023, *Xiaocaiyuan* ranked first among all brands in China's mass

Chinese cuisine market with average spending per consumer between RMB50 and RMB100. Taking advantage of our success in *Xiaocaiyuan* restaurant, we are committed to implementing a multi-brand operating strategy and have entered Chinese cuisine community catering market through introducing a new brand *Caishou*, aiming to lay a solid foundation for our long-term growth. We focus on constructing a robust business model that covers different consumption scenarios including dine-in service, delivery business and new retail business. As we fortify our competitive edge in the restaurant operations, we are committed to transcending the inherent limitations of conventional brick-and-mortar establishments and broadening our offerings.

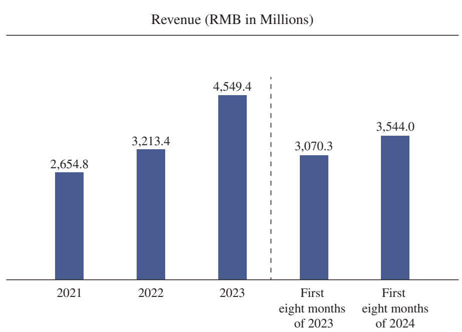
We hold in-depth understanding of consumers' preferences in the Chinese cuisine industry and steadfastly adhere to offering benefits to consumers with affordable dishes, helping us to form a wide consumer base and significant market recognition. Amidst economic development and demographic transformation, we have witnessed increasing consumer preferences towards quality dishes and services that offer affordable dining experiences. We provide three commitments to consumers which help us gain customer trust and brand recognition: (i) to serve dishes within 25 minutes after order placed, or the dish will be complimentary; (ii) unconditional exchange or refund for any unsatisfactory dish; and (iii) to use high-quality food ingredients and to provide compensation of ten times of the price for any dish with quality issue. During the Track Record Period, we did not incur any losses in fulfilling the aforementioned promises that could materially adversely affect our business operations or financial performance. These commitments exemplify the competence of our staff led by Mr. Wang, and our confidence in our offerings, services and operational efficiency. In 2023, our *Xiaocaiyuan* restaurants recorded dine-in customers of approximately 46.3 million.

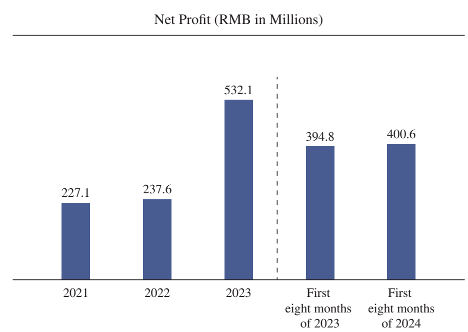
We received a variety of awards and honors in recent years, such as "Brands Listed on Meituan's Must Order List of 2023 and 2024 (2023年及2024年美團必點榜上榜品牌)", "Consumer Sector Impact Franchise Award in the 2024 Forbes China Consumer Sector Annual Selection (福布斯中國2024大消費年度影響力連鎖品牌)", "Red Eagle Award for Top 100 Restaurant Brands of 2023 (紅鷹獎'2023年度餐飲品牌力百強')", "Most Influential Brand of 2022 by Meituan & Meituan Waimai (美團2022年度最具影響力品牌獎)" and "Hurun China Catering Chain Enterprise Investment Value Top 50 of 2021 (2021胡潤中國餐飲連鎖企業投資價值榜前五十)". Dining at *Xiaocaiyuan* restaurants is becoming a popular choice for consumers in a growing number of places where we have operations.

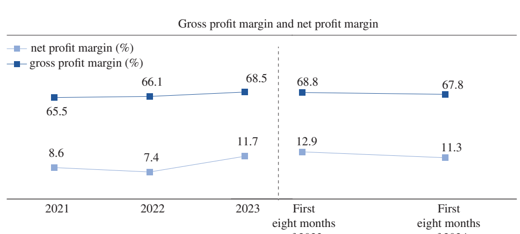
With our market leadership in the rapid-growing mass Chinese cuisine market, coupled with our market insight and the strong scalability, we believe that we are favorably positioned to capture opportunities in this market, solidify our market position and create more value for the consumers, our employees and the society.

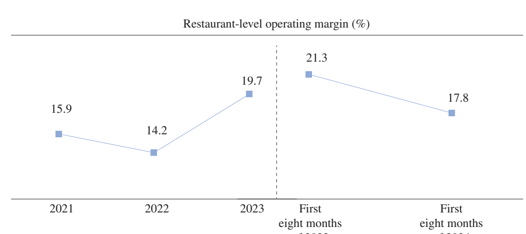
Robust operational and financial performance

Despite the challenges brought by the COVID-19 pandemic to the catering industry, our revenue increased by 21.5% from RMB2,645.8 million in 2021 to RMB3,213.4 million in 2022, and further increased by 41.6% to RMB4,549.4 million in 2023. Our revenue increased from RMB3,070.3 million in the eight months ended August 31, 2023 to RMB3,544.0 million in the eight months ended August 31, 2024. In 2021, 2022 and 2023, we recorded a gross margin of 65.5%, 66.1%, and 68.5%, respectively, which remained relatively stable at 67.8% in the eight months ended August 31, 2024. From 2021 to 2022, our net profit increased by 4.6% from RMB227.1 million to RMB237.6 million, and further increased by 124.0% to RMB532.1 million in 2023. Our net profit increased by 1.5% to RMB400.6 million in the eight months ended August 31, 2024 as compared to that of RMB394.8 million in the same period in 2023. In 2021 and 2022, we recorded a net profit margin of 8.6% and 7.4%, respectively. From the start of 2023 after the phasing-out of the pandemic, our profitability picked up swiftly, with the net profit margin increasing significantly from 7.4% in 2022 to 11.7% in 2023, which remained stable at 11.3% in the eight months ended August 31, 2024. According to Frost & Sullivan, we enjoy market-leading profitability measured by net profit margins in the mass Chinese cuisine market. In 2021 and 2022, our restaurant-level operating margin was 15.9% and 14.2%, respectively. It further increased to 19.7% in 2023, and slightly decreased to 17.8% in the eight months ended August 31, 2024, mainly due to our adjustments to the menu item prices to accommodate the preferences of consumers, demonstrating our long-term commitment to bringing cost-effective experience to our customers.







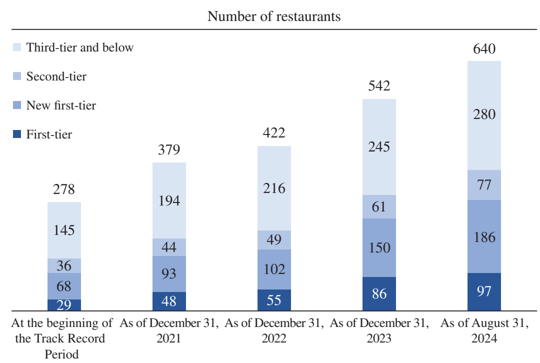


Our robust revenue and strong financial performance, particularly in 2023, is attributable to the following factors.

Exceptional achievement in restaurant expansion

- *Successful restaurant expansion*: During the Track Record Period, we operated 674 restaurants but only closed 34 restaurants.

- *Rapid-expanding restaurant network*: Despite the challenges brought by the COVID-19 pandemic, the total number of restaurants we operate increased from 278 at the beginning of the Track Record Period to 640 as of August 31, 2024. In 2021, 2022, 2023 and the eight months ended August 31, 2024, we opened 107, 48, 132 and 109 new restaurants, respectively.



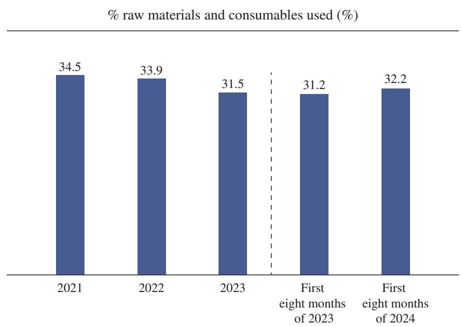
- *Short initial breakeven period and investment payback period*: The initial breakeven periods of our *Xiaocaiyuan* restaurants opened during the Track Record Period were generally around one to two months. In addition, we were committed to enhancing our breakeven performance by effectively managing the average initial breakeven periods of the restaurants opened in each of 2021, 2022, 2023 and the eight months ended August 31, 2024, respectively. Among the restaurants which have achieved investment payback as of August 31, 2024, the average investment payback period for those opened in each of 2021, 2022 and 2023 was 17.3 months, 12.3 months and 9.4 months, respectively. The average investment payback periods of our *Xiaocaiyuan* restaurants, which were opened during the Track Record Period and have achieved investment payback as of August 31, 2024, was approximately 13.8 months. In comparison, the average investment payback period for restaurants, opened in 2021, 2022, 2023 and the eight months ended August 31, 2024, in the mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100 was typically over 18 months, according to Frost & Sullivan.

Operational efficiency

- *Strong improvement in restaurant-level operating margin*: We believe that the restaurant-level operating margin is an appropriate matrix reflecting the operating performance of our restaurants. In particular, our restaurant-level operating margin improved rapidly from 14.2% in 2022 to 19.7% in 2023, primarily because our revenue increased at a higher rate than our costs and expenses. We have also generally achieved effective cost control on raw materials and consumables used and restaurant-level rental and property management related expenses, particularly in 2023.

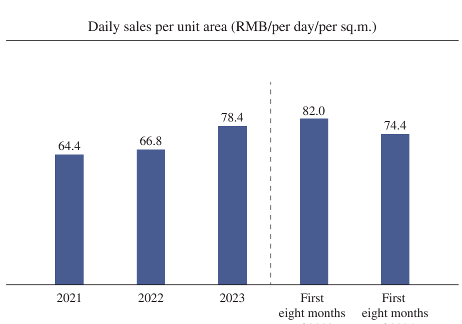
  - *Raw materials and consumables*: Thanks to our advanced management approach, robust supply chain management, centralized procurement and increasing brand awareness, we enjoy strong bargaining power, allowing us to procure quality raw materials at competitive prices. As a result, our raw materials and consumables used as a percentage of our revenue decreased from 33.9% in 2022 to 31.5% in 2023, which increased to 32.2% in the eight months ended August 31, 2024. During the Track Record Period, our raw materials and consumables used as a percentage of our revenue generally showed an improved trend.

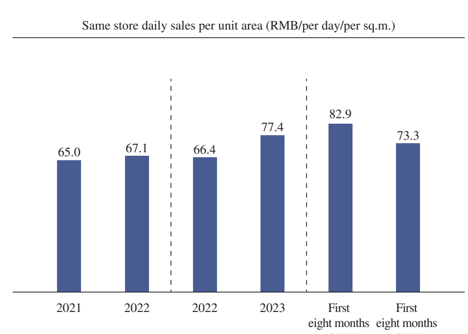
- *Restaurant-level rental and property management related expenses*: Our restaurant-level rental and property management related expenses as a percentage of our revenue decreased from 9.8% in 2022 to 7.9% in 2023, which increased to 9.0% in the eight months ended August 31, 2024. During the Track Record Period, our restaurant-level rental and property management related expenses as a percentage of our revenue generally showed an improved trend.



* Restaurant-level rental and property management related expenses equals to the sum of depreciation of right-of-use assets, other rentals and related expenses and property management expenses.

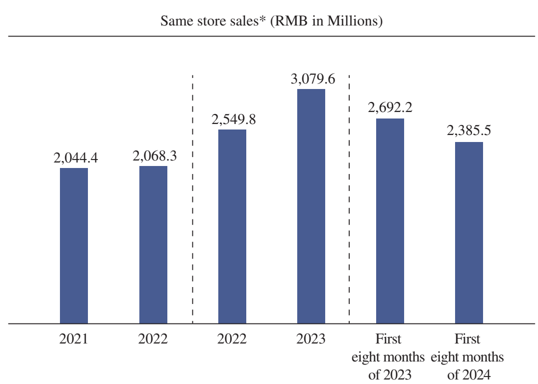
- *Steady recovery in daily sales per unit area and per restaurant employee*: Following the gradual phasing-out of the COVID-19 pandemic since early 2023, our restaurants have experienced steady recovery in our operational efficiency during the post-pandemic period. The daily sales per unit area for *Xiaocaiyuan* restaurants increased from RMB66.8 in 2022 to RMB78.4 in 2023, representing a growth rate of 17.4%. The daily sales per unit area for *Xiaocaiyuan* restaurants was RMB74.4 in the eight months ended August 31, 2024. Our same store daily sales per unit area for *Xiaocaiyuan* restaurants increased from RMB66.4 in 2022 to RMB77.4 in 2023, representing a growth rate of 16.7%. Our same store daily sales per unit area for *Xiaocaiyaun* restaurants decreased from RMB82.9 in the eight months ended August 31, 2023 to RMB73.3 in the same period in 2024. The monthly sales per restaurant employee for *Xiaocaiyuan* restaurants increased from RMB22,179.6 in 2022 to RMB25,789.6 in 2023, representing a growth rate of 16.3%. The monthly sales per restaurant employee for *Xiaocaiyuan* restaurants was RMB25,652 in the eight months ended August 31, 2024. Our same store monthly sales per restaurant employee for *Xiaocaiyuan* restaurants increased from RMB22,344.2 in 2022 to RMB26,352.1 in 2023, representing a growth rate of 17.9%. Our same store monthly sales per restaurant employee for *Xiaocaiyuan* restaurants decreased from RMB27,104 in the eight months ended August 31, 2023 to RMB26,073 in the same period in 2024.





Growth in sales and customer traffic

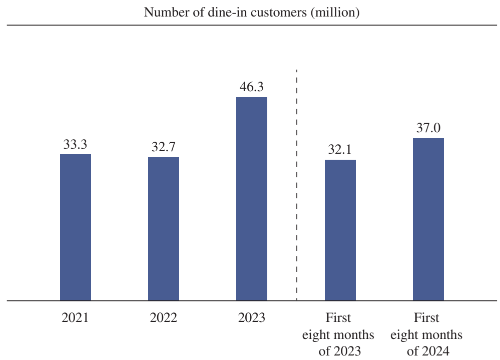
- *Resilient growth in same store sales*: Our same store sales for *Xiaocaiyuan* restaurants increased by 1.2% from 2021 to 2022, increased by 20.8% from 2022 to 2023, which outperforms the industry performance, demonstrating our resilience during the pandemic and vitality after it. We attribute our strong same store performance to (i) our dedication to scientific management, standardization and the application of information technologies, (ii) our persistence over the past decade on offering affordable dining experiences based on consumers' needs, and (iii) our proactiveness in developing delivery business as part of our overall strategy to achieve the coverage of dine-in and food delivery consumption scenarios. The same store sales for our *Xiaocaiyuan* restaurants decreased from RMB2,692.2 million in the eight months ended August 31, 2023 to RMB2,385.5 million in the eight months ended August 31, 2024, representing a decrease of 11.4%, primarily due to (i) the base effect as a result of the rapid surge in spendings of consumers in China's catering market during the first several months in 2023 following the gradual phasing-out of the COVID-19 pandemic, which was in line with the spending trends in other consumer sectors, according to Frost & Sullivan, and (ii) our adjustments to the menu item prices to accommodate the preferences of consumers, demonstrating our long-term commitment to bringing cost-effective experience to our customers.

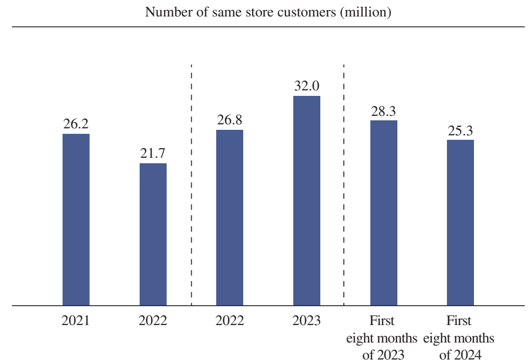


Note:

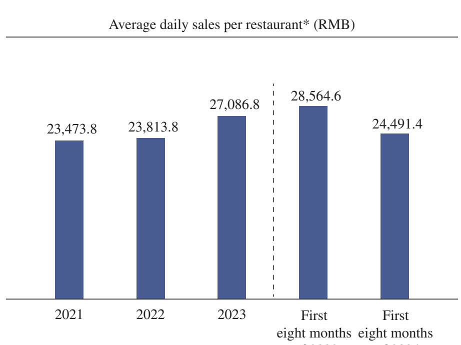
* Same store sales refer to the aggregate restaurant revenue from our same stores, including revenue generated from restaurant operations and delivery business.

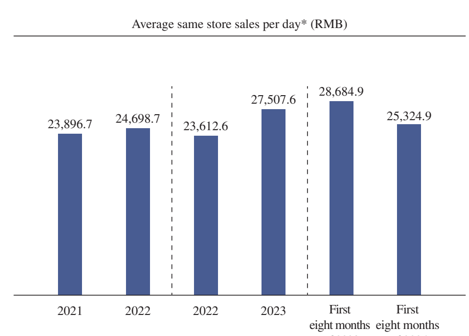
- *Strong growth in consumer traffic and restaurant performance results*: Our restaurants have experienced steady recovery in dine-in customer traffic from the start of 2023. In 2021 and 2022, the number of dine-in customers for our *Xiaocaiyuan* restaurants was approximately 33.3 million and 32.7 million; it increased by 41.9% from 32.7 million in 2022 to 46.3 million in 2023, outperforming the industry performance according to Frost & Sullivan. The number of dine-in customers for our *Xiaocaiyuan* restaurants increased by 15.2% from 32.1 million in the eight months ended August 31, 2023 to 37.0 million in the same period in 2024. In addition, the number of same stores dine-in customers for our *Xiaocaiyuan* restaurants increased from 26.8 million in 2022 to 32.0 million in 2023, representing a growth rate of 19.8%, outperforming the industry performance according to Frost & Sullivan. The number of same stores dine-in customers for our *Xiaocaiyuan* restaurants decreased from 28.3 million in the eight months ended August 31, 2023 to 25.3 million in the eight months ended August 31, 2024, primarily because of the base effect as a result of the rapid surge in spendings of consumers in China's catering market during the first several months in 2023 following the gradual phasing-out of the COVID-19 pandemic, which was in line with the spending trends in other consumer sectors, according to Frost & Sullivan.





We also generally recorded steady growth in the performance results of our restaurants from 2021 to 2023. In 2021 and 2022, the average daily sales per *Xiaocaiyuan* restaurant were RMB23,473.8 and RMB23,813.8, and it increased from RMB23,813.8 in 2022 by 13.7% to RMB27,086.8 in 2023. In 2021 and 2022, the average same store sales per day for our *Xiaocaiyuan* restaurant were RMB23,896.7 and RMB24,698.7, respectively; and in 2022 and 2023, it was RMB23,612.6 and RMB27,507.6, representing an increase of 16.5%. According to Frost & Sullivan, all these growth rates surpass the industry levels. The aforementioned two indicators decreased in the eight months ended August 31, 2024 as compared to the same period in 2023 for the same reasons discussed above. Specifically, in the eight months ended August 31, 2023 and 2024, the average daily sales per *Xiaocaiyuan* restaurant were RMB28,564.6 and RMB24,491.4, respectively. In the eight months ended August 31, 2023 and 2024, the average same store sales per day for our *Xiaocaiyuan* restaurant were RMB28,684.9 and RMB25,324.9, respectively.





Note:

* Average daily sales per restaurant is calculated by dividing total revenue generated from restaurant operations and delivery business by the total restaurant operation days for the period.

Note:

* Average same store sales per day is calculated by dividing the aggregate restaurant revenue of our same stores, including revenue generated from restaurant operations and delivery business, by the total restaurant operation days of our same stores for the period.

Standardized systems for operation and management

Our commitment to the refinement of standardization management is critical to our fast growth. We have achieved standardization management on the following aspects of our operations without compromising the quality, taste and the essence of "Wok Hei" of our dishes.

Dish Standardization:

- *Menu Simplification*: To ensure consistent taste and to streamline consumers' ordering process across our restaurant network, we keep a reasonable level of menu items, typically from 45 to 50, for a *Xiaocaiyuan* restaurant. Menu of each restaurant is slightly tailored by incorporating local elements and updated periodically by introducing seasonal specials to consumers. Menu standardization allows us to more effectively improve the quality of our dishes.

- *Food ingredients Standardization*: We insist on using healthy, fresh and quality food ingredients and never serve consumers pre-cooked food. Strictly following the rigorous policies and process, we carefully screen and select our suppliers and implement centralized procurement. We have promoted the use of pre-cleaned and pre-cut ingredients at our restaurants, which allows us to streamline the ingredients preparation process, saving our labor costs and improving our operational efficiency.

- *Cooking Process Standardization*: We have devised comprehensive and detailed cooking guidelines that cover every crucial element, from the application of condiments and cooking techniques to the operational requirements of each pivotal role. We apply proprietary standard condiment packets and prepare signature dishes ahead of peak hours in each restaurant to enhance both preparation efficiency and dish quality. In addition, our restaurants place orders for ingredients on a daily basis based on sales forecasts to guarantee their freshness. We have started the deployment of cooking robots in certain of our restaurants, helping us to achieve precise cooking operation and consistent taste.

Service Standardization: For the dining areas of our restaurants, we developed and adopted standard operation and service guidelines, setting out the SOP for each role. The standardized service guideline comprehensively covers all critical aspects, from pre-opening routines such as morning briefings, hygiene maintenance, kitchen preparations and table arrangements, to required employee behavior during operating hours, such as customer greetings, dish introduction and recommendation and service norm.

Training Standardization: We have in place an online-offline multi-layer training system. It helps our employees to improve technical, operational and management capabilities through frequent and comprehensive in-house trainings and guiding sessions. We believe that our training mechanism facilitates effective implementation of standardization across all our restaurants. During the Track Record Period, we have organized over 4,700 online/offline training sessions, engaging over 220,000 participants.

Food Safety and Quality Control Standardization: Food safety is at the heart of our commitment to sustainable development. Our focus on safety starts from the places of origins, where we select food ingredients based on rigorous quality control standards. We have instituted a comprehensive food safety control system, requiring inspection on daily, weekly and monthly basis. We urge the implementation of those measures by our employees through regular inspection and test.

Restaurant Expansion Standardization: We have a professional team dedicated to restaurant expansion execution. We prioritize shopping centers with abundant consumer traffic and safety conditions during the selection process and have forged long-term cooperations with leading commercial property operators, including Wanda Group, China Resources Mixc, Wuyue Plaza and AEON. Our restaurant expansion process is governed by standardized procedures covering site selection, commercial negotiation, design and decoration, legal compliance and marketing activities. We also proactively apply big-data analytics in site selection.

Dedication to improve our operating capability leveraging on application of information technologies

We are committed to constructing an all-encompassing business information technology infrastructure pivoted on valuable data assets, and we have successively launched a variety of information technology systems such as membership system, BI system, business middle-end system, SAP system, smart camera system, POS system, digital supply chain system and business trip management system, collectively facilitating our business operations. We believe that those digital systems and information technologies have expedited the replication of our existing success to more restaurants, demonstrated by the rapid expansion of our restaurant network, outstanding initial breakeven and investment payback performance.

Membership system. We design and maintain our membership system to cultivate the lifetime customer value of our consumers. The number of our registered members increased from 1.5 million at the beginning of 2021 to approximately 8.3 million as of the Latest Practicable Date. It aggregates consumer traffic from various channels and utilizes automated analytical tools to generate consumption insights and increase customer repurchases. We believe that the growth in the scale and repurchase of our members form a critical driver for our future development.

BI system. Our BI system supports data collection, cleaning, analysis and visualization, allowing us to efficiently locate meaningful information from massive data. It helps us to form insights in restaurant operation and management and consumer demands. For instance, we calculate the daily stock replenishment volume needed by restaurants based on the sales forecast generated by our BI system. In addition, this system enables visual display of our performance in a timely manner, providing solid basis for our daily operations and decision making process.

Business middle-end system. Our business middle-end system covers all stages of business process through a variety of functions such as the master data module, the account checking module, the order management module and the lease management module. Specifically, the master data module enables integrated data management in an organized way, assuring accuracy and consistency of key business data across workstreams. The account checking module automates our account checking process, improving financial management efficiency and reducing human errors. The order management module supports end-to-end order management, making the entire process more convenient and transparent. The lease management module helps us to addresses the complex and evolving demands for lease arrangements.

Smart devices. We are actively applying latest technologies to restaurant management and intend to deepen their application to different parts of our daily operations. For example, our smart camera system provides a 360-degree coverage of our operations in kitchen, allowing our management and regional groups to achieve real-time operation monitoring. We proactively upgrade this system by introducing the latest technologies such as AI models to achieve automatic detection of employee behaviors failing to meet our internal standards. The combination of this smart camera system and our BI system forms our online restaurant inspection, which enables timely and accurate identification of unusual incidents and reduction of labor costs. Moreover, we have been installing smart kitchen devices, such as cooking robots and thermostatic electric frying stoves, in certain restaurants, ensuring consistent quality control while enhancing the efficiency of kitchen activities.

Compelling and stable supply chain management strongly supporting our sustainable development and consistent quality control

We have established a comprehensive cold chain logistics and warehousing supply chain network, featuring standardized and centralized procurement of quality and healthy ingredients, efficient and industrialized ingredient processing, precise daily restaurant replenishment mechanism, stringent quality assurance and effective cost control.

Strong procurement capability. We place significant emphasis on quality control from their places of origins, making strategic planning of procurement for key food ingredients. Our robust procurement deployment ensures the stable access to the supply of quality and healthy food ingredients. We have in place standards for screening and selecting suppliers for critical food ingredients. Moreover, we implement a standardized ingredient evaluation system and raw material evolution standards for centralized procurement, conducting onsite inspections at our suppliers to select the finest options available. For example, we procure rice grown in Wuchang, Heilongjiang, known as the "Hometown of Chinese Rice," chicken raised by local farmers in the mountain area of southern Anhui, juicy shrimp from the Beihai sea area, mandarin fish with tender texture, quality black pork and chili peppers from Hunan. We insist on procuring key ingredients from reputable suppliers and have established long-term relationships with a number of them, including Nongfu Spring, Yihai Kerry and Dahu Aquaculture.

Digital management. We strive to applying information technologies for entire supply chain management process. Our digital supply chain system supports online management and monitoring of the process from procurement to delivery, which is expected to be further complemented by a quality control traceability system.

Centralized procurement and effective cost control. Thanks to our dedicated supply chain department, centralized procurement arrangement and rigorous bidding procedures, and the large procurement volumes bolstered by our rapid-growing business, we enjoy increasing bargaining power during the procurement process, helping us to achieve effective cost control and economies of scale.

Effective logistics and warehousing network. We have built a robust cold chain transportation and warehousing system, underpinned by 14 warehouses in Tongling, Nanjing, Nantong, Wuxi, Shanghai, Xuzhou, Hefei, Hangzhou, Langfang, Wuhan, Zhengzhou, Shenzhen and Zhenjiang and a dedicated in-house transportation fleet. Our self-built logistics and warehousing network provides flexibility, accuracy and reliability in supply chain management. Focusing on optimizing the delivery routes and transportation efficiency, we have achieved precise daily restaurant replenishment, thereby guaranteeing the freshness of the ingredients.

Central kitchen production. Our central kitchen in Anhui performs the key functions of ingredient processing and the industrial preparation of condiment packets. The central kitchen enables us to optimize our employee structure, improve the standardization of our kitchen activities, and ultimately improve the profitability of our restaurants.

Offering benefits to consumers with affordable dishes

We are devoted to offering the consumers affordable, delicious and nutritious meals, as well as thoughtful service. We believe our offerings provide consumers with delightful dining experiences.

We are committed to serving consumers freshly cooked dishes using quality ingredients. Our centralized procurement model, bolstered by effective robust supply chain management, ensures our procurement of fresh ingredients in a cost-effective way. We believe that the essence of Chinese cuisine lies in the 'Wok Hei' and the freshness brought by on-site cooking, giving consumers the feeling of dining at home.

We are committed to providing affordable dining experiences. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, the average spending per dine-in customer at *Xiaocaiyuan* restaurants was RMB66.1, RMB65.8, RMB65.2, RMB65.2 and RMB59.5, respectively. From the beginning of 2024, to fulfill our long-term commitment to offer affordable dining experiences to consumers and to accommodate the consumer preferences, we have strategically lowered our menu item prices.

Our diversified dish development and management mechanism was constructed based on the needs of consumers. After years of operation, we have successfully distinguished ourselves in the market with our unique culinary style that resonates with a broad spectrum of consumers, transcending age and geographical boundaries. Many of our signature dishes have received enduring and wide recognition among consumers. During the Track Record Period, we sold approximately 16.4 million Home-made Braised Pork Belly, 14.5 million Clay Pot Soup, 13.6 million Cauldron Cooked Spring Chicken, and 6.9 million Huizhou Stinky Mandarin Fish.

We are dedicated to providing our consumers with attentive, sincere and warm services, embodying the essence of a home kitchen, insisting on our three well-known service commitments.

Experienced management team and scientific incentive mechanism laying down the foundation for our rapid growth

Our experienced management team holds in-depth understanding of the transformations within China's catering industry, the projected modernization and industrial progression of the industry, as well as the inherent demands of consumers. They emphasize and insist on scientific management throughout our development since inception. Our founder and chairman, Mr. Wang, has over 20 years of experience in catering industry. Starting his career as a chef, Mr. Wang has accumulated an exceptional comprehension of the industry. His knowledge spans a broad spectrum, encompassing industry trends, restaurant operation, consumer preference, culinary techniques and business particulars. Our management team comprises experienced experts from various sectors, including restaurant management, menu development, supply chain, finance and legal and compliance. Their management capabilities and business insights provide the most important source of strength for us.

We implemented a scientific and effective multi-layer incentive mechanism to encourage our employees to pour their passion into daily works, establishing us a benchmark in China's catering industry.

- *Equity incentive*: We have granted equity incentives to over 100 individual shareholders who are from our headquarters management team, regional management team and other key personnel, primarily based on their capabilities, business performance, seniority and significance of their roles to us, reflecting our corporate culture to share the benefits of development with our employees.

- *Compensation incentive*: In addition to the base salary, we offer our employees, especially restaurant frontline staff, performance-based compensations, which are linked to their individual performance and the performance results of their restaurants or departments, incentivizing their proactiveness.

- *Growth incentive*: We have established a systematic promotion mechanism, which prioritizes performance as the core consideration. We attach great importance to building and enhancing the talent reserve for restaurant key employees, such as regional managers, restaurant managers and head chefs, supported by a mentor-mentee system and other incentive measures. As of the Latest Practicable Date, 90.4% of our shareholders used to be our restaurant frontline staff, and all our regional managers and most of our restaurant managers and head chefs were cultivated and promoted internally.

DEVELOPMENT STRATEGIES

The mass Chinese cuisine market, being the largest segment of the catering market, is witnessing rapid growth with expansive potential. We plan to continue to seize the growing opportunity in the mass Chinese cuisine market and further expand our business presence within this market. We aim to continue to refine our modern scientific management system as a priority, and bolster our data asset based business intelligence system, so that we are able to upgrade our development driving force with modern scientific management methodologies. All these are expected to contribute to our sustainable growth. Dedicated to creating consumer value and contributing to the society, we seek to remain resilient through market volatility and become a household name among Chinese families.

We plan to pursue the following strategies to further expand our business.

Continue to enhance our business intelligence system based on data insight

Leveraging our platformization capabilities and digital tools, we plan to interlink digitally each stage of our value chain, so as to integrate the front-end restaurant operations, the middle-end data centralization, and the back-end supporting functions such as supply chain management, financial management, and human resources management, with the ultimate goal of constructing a comprehensive and closed-loop digitalized industry chain system. Our aim is to establish an integrated smart operation platform based on data assets, further implementing the synergies between financial management, business operations and big data management.

In terms of restaurant management, firstly, we plan to systematically enhance the full-cycle management of our restaurants, thereby enhancing restaurant operation efficiency and effectiveness, while accumulating valuable information from the whole business process. Based on the valuable information generated from different channels, we plan to establish a site selection model applying big-data techniques, contributing to the business growth of and shortening the ramp-up period of newly opened restaurants. Secondly, we plan to continue to refine the system and procedures for our restaurant inspections. The combination of our smart camera system and BI system is able to keep us informed about the restaurant performance on an individual or regional basis, allowing us to promptly identify and rectify behaviors and incidents potentially not in compliance with our internal rules, as well as dynamically adjust our restaurant inspection strategies. Furthermore, we also plan to further widely introduce smart devices into key operating process such as cooking robots, AI self-checkout machines and smart energy consumption management systems. All those efforts will help us to improve restaurant operation automation, improving restaurant operation efficiency and enrich our data assets.

In terms of customer service, by ensuring and improving consumer satisfaction, we plan to continue enhancing our membership system and increasing our investment in information technologies. By unlocking the value of our members and refining the membership loyalty program, we plan to enhance member stickiness and boost member retention rate. We plan to cultivate the lifetime customer value of our consumers, in order to make the best use of our membership system to enhance our profitability, increase brand influence, strengthen menu development capabilities and elevate operational efficiency. As our delivery business serves as a critical growth driver, the data assets of which assist us in forming valuable market insight, we plan to continue to deepen our business acumen rooted in data assets. Furthermore, we aim to establish a menu management and development mechanism based on online-offline multi-layer feedback mechanism, including collecting feedbacks from our consumers, menu development department and supply chain department. We leverage such valuable feedbacks to form market insights and make adjustments to the existing menu or develop new menu items, achieving menu reverse-customization.

In terms of the business intelligent analysis, we plan to continue to establish an integrated digital platform that spans from front-end to back-end operations, clearly splitting the management elements in various business lines and administrative departments. We plan to include additional analytical indicator model in our BI system to improve the functionality of the visualization board, allowing the management to make timely adjustments to our operations based on actual results. In addition, we plan to strengthen and refine the return-on-equity based comprehensive budget management system, through gradually realizing the intelligent management of key management procedures through the BI system, such as performance planning, performance appraisal and bonus distribution.

Continue to strengthen and upgrade our supply chain management system

We plan to further upgrade our supply chain management system and build up the layout consisting of Warehouse Management System (WMS), Transport Management System (TMS), and Production Management System (PMS). In addition, we plan to establish a quality control traceability system achieving whole-process product sourcing control spanning the whole processes. This system is expected to set up check points at place of origin, quarantine, processing, storage, transportation and restaurants, in order to achieve data-driven decision-making, coordination of different businesses, and construction of competition barriers leveraging our competitive supply chain network.

- ***Procurement***: We plan to enhance our procurement standards and refine our supplier management procedures. We plan to form strategic cooperation with more reputable suppliers for key food ingredients. We also plan to further optimize the food ingredient structure and procurement volume and give full play to the advantages of centralized procurement, thereby achieving cost control.

- ***Processing***: We plan to improve our supply chain management capabilities to realize more efficient lean production, asset turnover rate enhancement and cost control optimization at our central kitchens ultimately achieving the overall efficiency improvement and cost control of our supply chain management. We plan to establish additional central kitchens and enhance the synergies between our factories, warehouses and restaurants. In addition, we plan to adhere to the fine management over our warehousing and logistics network, relying on WMS and TMS to solidify and improve delivery efficiency.

- ***New Retail Business***: We plan to continue to strategically expand our new retail business, including selling quality and healthy food ingredient products under our own brands. We aim to serve more families with our quality and healthy food ingredients, while diversifying our revenue sources.

Continue to enhance talent management system, accumulating strength for future sustainable development

We plan to further carry out the standardization reform of our compensation structure, involving delineation of job responsibilities and employee competency profiles, refinement of grading system and compensation package, and optimization of staffing plan and work schedules. We plan to build a comprehensive and transparent seniority-based compensation structure and a performance and bonus assessment mechanism based on restaurant performance.

We plan to continue enhancing our systematic, digital and standardized talent management system, as we strive to ensure a robust and qualified talent pool to support our rapid expansion. We also plan to utilize more digital tools for employee management. For example, we plan to build in specific performance target module at the BI system, record and track them in real time, and conduct performance appraisal based on the results, supplemented by transparent appraisal process and timely data feedback. Furthermore, we intend to set up transparent and standardized promotion mechanism to meet our employee's long-term career development with us. In addition, we plan to establish an in-house training academy, seamlessly integrating training and guidance into everyday operations. We also plan to enhance our collaborations with colleges for talent cultivation in the future.

Strategically expand our restaurant network, achieving a broader coverage and deeper market penetration

Leveraging our achievements in applying standardization, information technologies and modern management, we intend to expand our restaurant network and deepen our market penetration, and plan our future expansion into overseas markets in the long term. Our goal is to increase our market share and profitability, building ourselves as the "home kitchen" widely recognized by Chinese consumers in China and overseas.

- ***Expand geographical coverage***: Upon our existing coverage in Anhui, Jiangsu, Shanghai, Zhejiang, Beijing, Hubei, Tianjin, Guangdong, Hebei, Henan, Shandong, Shaanxi and Jiangxi, we plan to gradually expand our footprint to new areas within these provinces, and enter their neighboring provinces, such as Hunan and Fujian.

- ***Increase penetration in existing markets***: We believe that there are still great potential to raise restaurant penetration and increase our market share in areas where we have restaurants. Therefore, based on the performance of our existing restaurants, we plan to reasonably increasing our restaurant network density in those areas, and give full play to the synergies with nearby restaurants, so as to serve more local consumers.

- ***Venture into overseas market***: We plan to open new restaurants in overseas market when appropriate, primarily in countries and regions with large Chinese communities, such as Hong Kong and Singapore.

With our highly scalable business model and strong replicability, we plan to open approximately 160 and 180 new *Xiaocaiyuan* restaurants in 2025 and 2026, respectively. By the end of 2026, we expect to operate approximately 1,000 *Xiaocaiyuan* restaurants. We will continue to deepen our penetration in existing markets, expand our restaurant network to new areas, and further expand our business into overseas markets, thus making our dishes and dining experiences accessible to broader consumers. We believe such strategy will further enhance our brand recognition.

Continue our expansion and exploration in the Chinese cuisine community catering market

China's demographic structure leads to increasing prevalence of decelerating demographic growth rate, increasing aging populace and smaller family sizes. These trends result in an increasing preference of consumers to dine in restaurants close to their residential communities, and Chinese cuisine remains as the popular choice due to Chinese people's catering preference. According to Frost & Sullivan, China had 117,500 communities, which refers to a large area of residential housing with a relatively independent living environment in a certain area of the city, with 933 million community residents as of December 31, 2023. In July 2023, the Ministry of Commerce and thirteen other departments put forth a proposal to cultivate the concept of community catering. Community catering is closely related to everyone's daily life, offering benefits to both the society and individuals.

We have opened our first community catering restaurant under *Caishou* brand, marking our strategic foray into the community catering sector. Our Directors believe that, Chinese cuisine community catering market distinguishes itself from the overall catering market in aspects such as consumption scenarios and pricing, setting high requirements for catering companies in terms of competitive pricing strategies, operational efficiency and supply chain management capability, according to Frost & Sullivan, and our unique strengths and experiences gleaned from operating *Xiaocaiyuan* restaurants will facilitate the operation of our community catering business.

We plan to actively explore and steadily build up our community catering business. We plan to select suitable residential communities and office areas to expand our community catering restaurant network, thereby catering to the needs of nearby local residents and office workers. We plan to progressively accumulate the consumer base in this market. We believe our community catering business is able to serve broader consumers throughout the country, becoming part of daily lives.

OUR RESTAURANTS

We are one of the renowned self-operated chain restaurants in China's mass Chinese cuisine market committed to offering delicious, healthy and affordable Chinese dishes. As of the Latest Practicable Date, we have built a restaurant network consisting of 663 self-operated restaurants across different parts of China, with substantially all of them under the *Xiaocaiyuan* brand. During the Track Record Period, we primarily generated revenue from *Xiaocaiyuan* branded restaurants, which accounted for 98.7%, 98.8%, 99.1% and 99.0% of our total revenue in 2021, 2022, 2023 and the eight months ended August 31, 2024, respectively. According to Frost & Sullivan, in terms of the restaurant revenue for 2023, *Xiaocaiyuan* ranked first among all brands in China's mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100.

Our Commitment

We strive to offer consumers home-style flavor dishes and attentive services at affordable prices. For each consumer who walks into any of our *Xiaocaiyuan* restaurants, we promise: (i) to serve dishes within 25 minutes after order placed, or the dish will be complimentary; (ii) unconditional exchange or refund for any unsatisfactory dish; and (iii) to use high-quality food ingredients and to provide compensation of ten times of the price for any dish with quality issue. Consumers may opt for our restaurants for a variety of occasions, from casual daily dining, gatherings with families and friends, special event celebrations and business meals.

Cuisine and Menu

For our *Xiaocaiyuan* restaurants, we insist on on-site cooking to serve consumers healthy and freshly-made dishes, differentiating ourselves from pre-made dishes and achieving long-term trust from consumers. To preserve the original flavor of food ingredients to the extent possible, we are cautious with the use of oil, salt and other condiments in the cooking process. We recognize the importance of the quality of food ingredients and screen across China to locate credible suppliers. To secure stable supply of fresh and quality key food ingredients, we directly cooperate with farms and producers at their origin places.

The popularity of our brands is also underpinned by our strong menu development capabilities. We design and tailor our menu for each season, covering a wide range of popular Chinese home-style dishes, which allows people from different parts of China with varied dietary habits and taste preferences to find a menu item that suits them. Based on consumers' preferences and feedbacks, we update our menu periodically to include new menu items and seasonal specialities. To ensure our consumers have affordable dining experiences, we price menu items to achieve average spending per consumer between RMB50 and RMB70 for our dine-in customers at our *Xiaocaiyuan* restaurants. Typically, a *Xiaocaiyuan* restaurant offers approximately 45 to 50 menu items in each season, covering a variety of categories including cold dishes, stews, braised dishes, dry-pot dishes, stir-fried dishes, clay-pot dishes, steam dishes, soups and desserts.

Set forth below are pictures and information with respect to some of our signature dishes.

Huizhou Stinky Mandarin Fish
(徽州臭鱖魚)

Originating in southern Anhui more than 200 years ago, the marinated and salted Huizhou stinky fish has a distinctive aroma, and the garlic-shaped flesh of the fish is white with a smooth and tender texture.

Home-made Braised Pork Belly
(農家紅燒肉)

We choose high-quality pork as our food ingredients, which is simmered for over two hours on a slow fire. Our home-made braised pork belly is reddish, with a long aftertaste and a salty, slightly sweet, fatty but not greasy flavor.

Clay Pot Soup (瓦罐湯)

We use special clay pots to simmer chicken, duck, pork ribs or soup bones, which we procure from the originating farms strictly selected by our menu development department and supply chain department, with our self-developed recipe and drinking water for more than four hours, so as to make the soup flavorful and mellow.

Slate Garlic Prawn (石板蒜蓉蝦)

Slate garlic prawn is one of our classic dishes that has been popular among consumers since our establishment. The food ingredients fully absorb our special prawn sauce and secret garlic sauce in the cooking process, and the prawns are served on a slate to bring a waft of wonderful aroma and deliciousness.

Cauldron Cooked Spring Chicken
(地鍋仔雞)

We select free-range spring chickens bred in the mountains of the southern area of Anhui, which are farmed for more than 90 days. Under strict cooking process requirements, we offer consumers flavorful, juicy and tender chicken meat, thereby earning popularity among our consumers.

Dining Ambience

Each *Xiaocaiyuan* restaurant is designed and decorated with a cozy and inviting atmosphere, offering consumers the delightful experience of dining at home. We infuse elements of ancient Chinese architecture, such as Ma Tou wall settings, and natural landscape into the design of our *Xiaocaiyuan* restaurants, with wide use of wooden furniture and decoration and the application of modern metal embellishments in black. A *Xiaocaiyuan* restaurant typically has an area of approximately 300 sq.m. with around 30 tables, and on average can serve approximately 110 consumers at the same time. We adopt a uniform design and decoration system across *Xiaocaiyuan* restaurants to guarantee a uniform dining experience for our consumers, irrespective of the location. This strategy enables us to reinforce and maintain our brand image within the market.

Set forth below are pictures presenting the typical dining environment of a *Xiaocaiyuan* restaurant.

OUR RESTAURANT NETWORK

All of our restaurants are managed under a self-operation model. We operated 663 restaurants in China as of the Latest Practicable Date, consisting of 658 *Xiaocaiyuan* restaurants and five restaurants under other brands.

The following table sets forth the distribution of the number and revenue of our *Xiaocaiyuan* restaurants across different tiers of cities in China as of the dates and for the periods indicated:

	As of/for the year ended December 31,									As of/for the eight months ended August 31,					
	2021			2022*			2023			2023			2024*		
	Number	*Revenue*	*%*	*Number*	*Revenue*	*%*	*Number*	*Revenue*	*%*	*Number*	*Revenue*	*%*	*Number*	*Revenue*	*%*
	(RMB in thousands, except for the numbers of restaurant and percentages)														
First-tier cities	48	340,914.9	13.1	55	413,992.0	13.1	84	756,579.8	16.8	73	486,289.1	16.0	97	620,050.1	17.7
New first-tier cities	92	716,284.4	27.4	102	899,763.9	28.3	149	1,296,081.2	28.8	123	856,416.6	28.1	184	1,027,630.9	29.3
Second-tier cities	44	371,848.6	14.2	49	409,915.4	12.9	61	532,860.7	11.8	54	370,439.7	12.2	77	428,261.3	12.2
Third-tier cities and below (including county-level cities and counties)	191	1,182,555.2	45.3	213	1,450,896.9	45.7	242	1,922,446.3	42.6	221	1,330,412.2	43.7	278	1,432,182.0	40.8
Total	**375**	**2,611,603.1**	**100.0**	**419**	**3,174,568.2**	**100.0**	**536**	**4,507,968.0**	**100.0**	**471**	**3,043,557.6**	**100.0**	**636**	**3,508,124.3**	**100.0**

Note:

* There were transformations of *Xiaocaiyuan* restaurants from *Fuxinglou* restaurants in December 2022 (initially opened in September 2021) and in June 2024 (initially opened in December 2020), respectively.

Despite the challenges brought by the COVID-19 pandemic to the mass Chinese cuisine market in China, we have achieved resilient growth across cities of different tiers from 2021 to 2022 in terms of both the number of restaurants and revenue scale. From 2021 to 2022, the number of our *Xiaocaiyuan* restaurants increased from 375 to 419 and the revenue generated therefrom increased from RMB2,611.6 million to RMB3,174.6 million, outperforming the general performance in mass Chinese cuisine market, which experienced a decline during the same periods. From the start of 2023, we responded swiftly to the changing market conditions and resumed our pace of expansion, with the number of our *Xiaocaiyuan* restaurants increasing from 419 as of December 31, 2022 to 536 as of December 31, 2023, and further increasing to 636 as of August 31, 2024.

As of the Latest Practicable Date, we operated five restaurants under other brands, such as *Caishou*, *Guandi* and *Fuxinglou*. The total revenue generated from those restaurants under other brands was RMB33.1 million, RMB38.4 million, RMB34.5 million, RMB22.5 million and RMB27.2 million in 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, respectively. *Guandi* and *Fuxinglou* restaurants were mainly for local business banquet occasions in Tongling, Anhui, and we price menu items of *Guandi* and *Fuxinglou* restaurants to achieve average spending per consumer around RMB150 and RMB100, respectively. *Caishou* restaurants were established during the fourth quarter of 2023, mainly targeting on the community catering market in China, and price menu items of *Caishou* restaurants to achieve average spending per consumer between RMB20 and RMB40, see "– Our Community Catering Business."

The following table summarizes the movement in the numbers of all restaurants during the periods indicated:

	For the year ended December 31,			For the eight months ended	From August 31, 2024 to the Latest Practicable
	2021	2022*	2023	August 31, 2024*	Date
Number of restaurants at the beginning of the period	278	379	422	542	640
Number of new restaurants opened during the period	107	48	132	109	29
Number of restaurants closed during the period	6	5	12	11	6
Number of restaurants at the end of the period	379	422	542	640	663

Note:

* The numbers of newly opened/closed restaurants do not count in the transformations of *Xiaocaiyuan* restaurants from *Fuxinglou* restaurants in December 2022 (initially opened in September 2021) and in June 2024 (initially opened in December 2020), respectively.

Against the downward trend in the overall mass Chinese cuisine market during the pandemic, the total number of our restaurants increased from 278 at the beginning of the Track Record Period to 663 as of the Latest Practicable Date, showing our capabilities and determination to expand our restaurant network. We attribute this rapid growth to our strong profitability achieved during the Track Record Period, highly standardized and scalable business model, enhanced information technology capabilities, and our effective employee promotion mechanism. During the Track Record Period, we closed a total number of 32 *Xiaocaiyuan* restaurants and 15 of them were loss-making restaurants in the respective period when they were closed. In 2021, 2022, 2023 and the eight months ended August 31, 2024, (i) we closed three, three, five and four *Xiaocaiyuan* restaurants, respectively, because the customer traffic in the commercial districts where they were located did not meet our expectations. Specifically, the average daily dine-in customers served per restaurant of those *Xiaocaiyuan* restaurants closed in 2021, 2022, 2023 and the eight months ended August 31, 2024 was 132.2, 118.7, 171.6, and 105.2, respectively, lower than the average daily dine-in customers served per restaurant of all *Xiaocaiyuan* restaurants in the same period, being 299.2, 244.9, 278.3 and 258.1, respectively; (ii) during the same periods, we closed three, two, seven and three *Xiaocaiyuan* restaurants, respectively, because we decided not to renew the leases upon their expiration. Out of those 15 *Xiaocaiyuan* restaurants closed due to the expiration of leases, only five restaurants were loss-making in the respective period when they were closed, with their by-restaurant operating loss ranging from RMB99,981 to RMB476,102 in the same periods; and (iii) we closed two *Xiaocaiyuan* restaurants in 2024, which were initially opened in 2016 and 2018, respectively, mainly due to the decoration and facilities thereof were outdated. In addition, two *Caishou* restaurants were closed in May 2024 and July 2024, respectively, because the customer traffic in the commercial districts where they were located did not meet our expectations. The average daily dine-in customers served per restaurant of these two closed *Caishou* restaurants before they were closed in 2024 was 130.3, lower than the average daily dine-in customers served per restaurant of all four *Caishou* restaurants which were under operation in the eight months ended August 31, 2024, being 268.8.

The following table summarizes the number of restaurants we operate by brand as of the dates indicated:

	As of December 31,			As of August 31,	As of the Latest Practicable Date
	2021	2022*	2023	2024*	
Xiaocaiyuan restaurants	375	419	536	636	658
Caishou restaurants	–	–	3	2	3
Guandi restaurants	1	1	1	1	1
Fuxinglou restaurants	3	2	2	1	1
Total	**379**	**422**	**542**	**640**	**663**

Note:

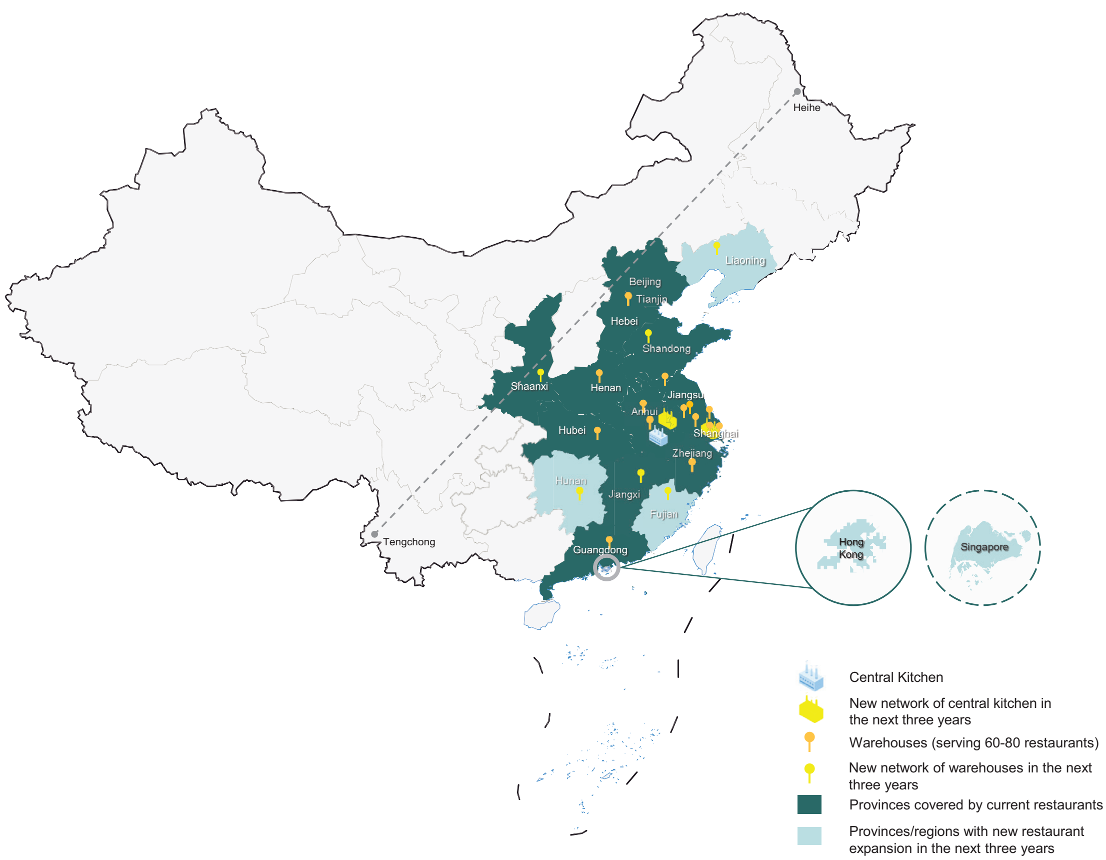
* There were transformations of *Xiaocaiyuan* restaurants from *Fuxinglou* restaurants in December 2022 (initially opened in September 2021) and in June 2024 (initially opened in December 2020), respectively.

Restaurant Expansion Plan and Management

The success of our business depends on the healthy expansion of our restaurant network. We operate under a highly standardized and scalable business model, and we believe that we will be able to consistently expand our restaurant network by replicating and optimizing our proven managerial and operational procedures, applying digital tools, transferring knowledge and adopting best practices when opening new restaurants.

We plan to continue to grow our presence in China by expanding our geographic coverage and deepening our market penetration. We plan to open approximately 160 and 180 new *Xiaocaiyuan* restaurants in 2025 and 2026, respectively. In terms of geographic location, we will both deepen our penetration in existing markets and expand our presence to new markets. Leveraging our well-established restaurant distribution in the Yangtze River Delta, we plan to further explore the areas nearby, such as Hunan and Fujian. We also plan to increase the restaurant distribution density in Beijing, Shanghai, Shenzhen, Hangzhou, Nanjing and other areas of China, so as to gradually form a restaurant network of "Yangtze River Delta & Beijing-Tianjin-Hebei & Guangdong-Fujian-Jiangxi". According to the Frost & Sullivan, there are huge growth potential in the mass Chinese cuisine market in these areas. In addition to the expansion of our restaurant network in China, we plan to expand into other markets, such as Hong Kong and Singapore. We believe that growing our restaurant presences and density will further promote our brand awareness and drive our revenue growth.

The map below demonstrates the geographic locations of our restaurants and the relevant supporting facilities and infrastructures in operation and under planning as of August 31, 2024.



The estimated upfront expenses range from RMB1.3 million to RMB1.7 million for opening a new *Xiaocaiyuan* restaurant, mainly depending on the size and the location of the restaurant. Such upfront expenses primarily include costs relating to decoration, purchase of equipment and other one-off expenses associated with the opening of a restaurant. We plan to fund our restaurant network expansion in 2025 and 2026 with a mix of the proceeds from the Global Offering, cash on hand, cash flows generated from our operations, as well as other external financings that we may seek to pursue at that time. For the years ending December 31, 2025 and 2026, our planned investment costs for opening new *Xiaocaiyuan* restaurants are expected to be approximately RMB208 million to RMB272 million and RMB234 million to RMB306 million, respectively. With respect to the new restaurants that we have opened and expect to open in 2024, we have incurred approximately RMB236 million since January 1, 2024 and up to the Latest Practicable Date, which was funded by our existing internal resources. For more information, see "Future Plans and Use of Proceeds."

Our development department and engineering department are responsible for restaurant expansion plan formulation, management and execution. The development department is responsible for the expansion management of our restaurant network, restaurant site selection and lease arrangements, while paying close attention to the economic and market conditions of different parts of China. The engineering department is responsible for restaurant design, decoration and compliance works prior to the opening of a restaurant.

We mainly manage and standardize our restaurant expansion process from the following aspects:

Site Selection

We follow a disciplined approach in selecting sites for our new restaurants. Leveraging our rich experience accumulated through our operations over the past years, we are able to efficiently select sites for our new restaurants. It is our common practice to conduct a detailed and comprehensive due diligence exercise for our new restaurants, led by our development department. We conduct thorough research to identify suitable sites, including site visits, people counting and extensive reviews of other public data in order to inform our decision-making process. Relevant factors for site selection include, among other things, location of the commercial district, population density in the commercial district, age distribution and average disposable income in the commercial district, spending patterns and dining habits of consumers in the commercial district, layout of other restaurants within the commercial district, estimated customer traffic at peak hours, structure of shopping malls, availability of parking lots and advertising billboards, accessibility of the commercial district, rental costs and estimated return on investment, and number and nature of competitors in the commercial district. In the future, we plan to apply AI technologies to facilitate our site selection process and make the best use of the valuable data information and experiences accumulated from operations.

Lease Arrangements

Our lease arrangements normally last for five to eight years. During the Track Record Period, our leases were generally under hybrid rent arrangements: (i) variable rent arrangements; (ii) fixed rent arrangements; and (iii) performance-based rent arrangements. We did not experience any significant difficulties in renewing our leases in a timely manner during the Track Record Period.

Set forth below are the key terms of our leases:

- *Rent calculation.*
  - o for variable rent arrangements, we are obliged to pay a certain percentage of the total sales of a restaurant or an agreed fixed rent, whichever is higher;
  - o for fixed rent arrangements, we are obliged to pay fixed rent for the duration of the lease; or
  - o for performance-based rent arrangements, the rent is calculated with reference to the sales of a restaurant.
- *Rent-free period.* Our leases typically include a rent-free period to facilitate the decoration and renovation of the restaurant sites.
- *Incremental increases in rent.* Our leases with variable and fixed rent arrangements are typically subject to incremental rent increases every one or two years as stipulated in the lease.
- *Termination*. After the fixed term of a lease, we generally may terminate a lease by submitting a three-month prior notice to the lessor, and a lessor may terminate a lease anytime but may be required to pay us compensations.

Measures to avoid cannibalization among existing and newly opened restaurants

We have also adopted and will continue to adopt various measures to avoid cannibalization among our existing and newly opened restaurants. Within the *Xiaocaiyuan* brand, we have adopted a disciplined approach to expansion, and when planning to open a new restaurant we usually consider demographic factors to reach a prudent conclusion. We also consider geographical factors to avoid cannibalization among existing and newly opened restaurants, for example, we generally do not open multiple restaurants in one shopping mall or commercial district. Our management oversees the entire expansion process and, combined with conducting post-investment reviews of new restaurants, adjusts our expansion strategy accordingly if the performance of new restaurants is not satisfactory due to potential cannibalization. Among different brands, we also differentiate between our brands in design, menu, restaurant setting, pricing strategy and target consumer base. See “Future Plans and Use of Proceeds – Use of Proceeds.”

Project Execution

We have standardized the new restaurant opening process, and our engineering department supervises and provides guidance throughout the whole process. The typical time from the completion of the site selection process to the opening of a restaurant is approximately two to three months. Key aspects of our new restaurant opening process include:

- *Licenses and compliance*. Our development department is responsible for collecting supporting documents from the landlords, such as license, certificate and floor plan of a shopping mall. Our engineering department is responsible for making applications with relevant local authorities for fire safety compliance inspections while a restaurant is under decoration. The restaurant managers are responsible for obtaining other licenses and permits, such as the business license and food safety license.

- *Restaurant decoration*. Our engineering department usually tailors the design for a new restaurant based on our in-house template. We usually engage our long-entrusted third-party decoration teams to carry out interior decoration.

- *Employee recruitment and training*. To facilitate the smooth opening of a new restaurant, we deploy employees at key functions in a new restaurant from our existing restaurants. These experienced employees, being familiar with our operational procedures, standards and requirements, can use their experience and know-how to better coordinate the work in the new restaurant and help new employees to quickly adapt to our systems and culture. The restaurant manager and our human resources department are responsible for the recruitment of restaurant frontline staff for a new restaurant. We are dedicated to identifying, training and cultivating talent who have the potential to assume more important positions such as restaurant manager and head chef. This approach helps us to build up and expand our talent pool, which provides solid support for our rapid expansion. See "– Organizational Structure and Our People – Employee Promotion, Management and Training."

OUR RESTAURANTS' PERFORMANCE

Key Performance Indicators

We use a number of financial and operating metrics to evaluate the performance of our *Xiaocaiyuan* restaurants. The key performance indicators for our *Xiaocaiyuan* restaurants across different tiers of cities are set forth in the tables below for the periods indicated.

	For the year ended December 31,			For the eight months ended August 31,	
	2021	**2022[(1)]**	**2023**	**2023**	**2024[(1)]**
Average daily sales per restaurant[(2)] (RMB)					
First-tier cities	26,856.4	27,706.6	30,879.5	32,296.5	28,325.7
New first-tier cities	25,560.6	26,926.9	30,008.8	31,957.0	25,605.0
Second-tier cities	27,108.6	26,435.9	28,328.6	30,112.1	24,806.6
Third-tier cities and below (including county-level cities and counties)	20,811.6	20,892.7	24,052.8	25,393.4	22,395.0
Overall	**23,473.8**	**23,813.8**	**27,086.8**	**28,564.6**	**24,491.4**
Total dine-in customers served (thousands)					
First-tier cities	3,965.1	3,394.2	7,047.5	4,622.9	5,730.4
New first-tier cities	8,374.6	8,291.8	12,265.6	8,326.6	10,265.9
Second-tier cities	4,708.4	4,158.0	5,391.1	3,815.0	4,591.2
Third-tier cities and below (including county-level cities and counties)	16,244.3	16,809.2	21,617.4	15,333.6	16,388.9
Total	**33,292.3**	**32,653.3**	**46,321.6**	**32,098.0**	**36,976.4**
Average daily dine-in sales per restaurant[(3)] (RMB)					
First-tier cities	21,603.9	15,615.9	19,073.2	20,406.5	16,093.6
New first-tier cities	20,574.3	17,146.8	19,073.5	20,934.2	15,225.6
Second-tier cities	23,070.9	18,019.0	19,088.6	20,696.5	15,980.2
Third-tier cities and below (including county-level cities and counties)	18,212.8	15,285.3	17,154.9	18,512.0	15,037.6
Overall	**19,793.5**	**16,106.9**	**18,153.8**	**19,641.2**	**15,365.3**
Average daily dine-in customers served per restaurant[(4)]					
First-tier cities	312.4	227.2	287.6	307.0	261.8
New first-tier cities	298.8	248.1	284.0	310.7	255.8
Second-tier cities	343.3	268.2	286.6	310.1	265.9
Third-tier cities and below (including county-level cities and counties)	285.9	242.1	270.5	292.7	256.3
Overall	**299.2**	**244.9**	**278.3**	**301.2**	**258.1**

	For the year ended December 31,			For the eight months ended August 31,	
	2021	2022[1]	2023	2023	2024[1]
Average spending per dine-in customer[5] (RMB)					
First-tier cities	69.2	68.7	66.3	66.5	61.5
New first-tier cities	68.8	69.1	67.2	67.4	59.5
Second-tier cities	67.2	67.2	66.6	66.7	60.1
Third-tier cities and below (including county-level cities and counties)	63.7	63.1	63.4	63.3	58.7
Overall	**66.1**	**65.8**	**65.2**	**65.2**	**59.5**
Total sales of delivery business (RMB in thousands)					
First-tier cities	66,675.4	180,660.0	289,266.2	179,028.3	267,761.4
New first-tier cities	139,731.3	326,804.2	472,295.1	295,400.8	416,566.1
Second-tier cities	55,385.2	130,512.9	173,803.2	115,830.9	152,379.9
Third-tier cities and below (including county-level cities and counties)	147,664.7	389,409.3	551,322.6	360,531.4	470,509.8
Total	**409,456.6**	**1,027,386.4**	**1,486,687.1**	**950,791.4**	**1,307,217.2**
Total orders from delivery business (thousands)					
First-tier cities	720.1	1,995.3	3,240.1	1,927.4	3,384.2
New first-tier cities	1,613.0	4,316.2	5,989.4	3,591.3	5,809.6
Second-tier cities	582.0	1,533.3	2,002.1	1,297.1	2,018.6
Third-tier cities and below (including county-level cities and counties)	1,900.8	5,944.8	7,678.5	4,939.6	7,150.2
Total	**4,815.9**	**13,789.5**	**18,910.2**	**11,755.4**	**18,362.6**
Average spending per delivery order[6] (RMB)					
First-tier cities	92.6	90.5	89.3	92.9	79.1
New first-tier cities	86.6	75.7	78.9	82.3	71.7
Second-tier cities	95.2	85.1	86.8	89.3	75.5
Third-tier cities and below (including county-level cities and counties)	77.7	65.5	71.8	73.0	65.8
Overall	**85.0**	**74.5**	**78.6**	**80.9**	**71.2**

	For the year ended December 31,			For the eight months ended August 31,	
	2021	2022(1)	2023	2023	2024(1)
Daily sales per unit area(7) (RMB)					
First-tier cities	78.9	80.8	94.4	97.8	88.7
New first-tier cities	71.0	76.2	88.3	92.6	81.8
Second-tier cities	79.4	77.5	84.6	89.6	77.4
Third-tier cities and below (including county-level cities and counties)	55.1	57.3	67.4	70.8	64.9
Overall	**64.4**	**66.8**	**78.4**	**82.0**	**74.4**
Table turnover rate(8)					
First-tier cities	3.4	2.6	3.4	3.5	3.2
New first-tier cities	3.3	2.9	3.4	3.6	3.2
Second-tier cities	3.9	3.1	3.4	3.6	3.3
Third-tier cities and below (including county-level cities and counties)	3.1	2.7	3.0	3.2	3.0
Overall	**3.3**	**2.8**	**3.2**	**3.4**	**3.1**

Notes:

(1) There were transformations of *Xiaocaiyuan* restaurants from *Fuxinglou* restaurants in December 2022 (initially opened in September 2021) and in June 2024 (initially opened in December 2020), respectively.

(2) Average daily sales per restaurant is calculated by dividing total revenue generated from restaurant operations and delivery business by the total restaurant operation days for the period in the same tier cities. The number of the total restaurant operation days is the sum of the operation days of all *Xiaocaiyuan* restaurants.

(3) Average daily dine-in sales per restaurant is calculated by dividing total revenue generated from restaurant operations by the total restaurant operation days for the period in the same tier cities.

(4) Average daily dine-in customers served per restaurant is calculated by dividing the total number of dine-in customers served by the total restaurant operation days for the period in the same tier cities.

(5) Average spending per dine-in customer is calculated by dividing the revenue generated from restaurant operations by total number of dine-in customers served for the period in the same tier cities.

(6) Average spending per delivery order is calculated by dividing total revenue of delivery business by total orders from our delivery business for the period in the same tier cities.

(7) Daily sales per unit area is calculated by dividing total revenue generated from restaurant operations and delivery business by the product of total restaurant operation days and restaurant operation area in sq.m. for the period in the same tier cities.

(8) Table turnover rate is calculated by dividing the aggregate number of orders placed by dine-in customers by the product of total restaurant operation days and average table count of *Xiaocaiyuan* restaurants for the period in the same tier cities.

Our restaurants generally experienced decline in certain dine-in performance indicators in 2022 compared to those in 2021, such as average daily dine-in sales per restaurant, average daily dine-in customers served per restaurant and table turnover rate, primarily due to the impact brought about by the COVID-19 pandemic on dine-in consumptions in 2022. With our effective restaurant management coupled with our restaurant network expansion, we recorded stable revenue in 2022 as compared to that in 2021, against the general decline of the catering industry during those two years according to Frost & Sullivan. Our overall performance was not negatively impacted by the pandemic in 2022 mainly because we proactively adapted our business strategies by expanding the delivery business during the COVID-19 pandemic. Our delivery business has achieved rapid growth in 2022, mainly due to that (i) we enhanced our service capabilities by developing new food consumption scenarios such as group meal subscription for local communities during the COVID-19 pandemic and broadening the service coverage of our restaurants, (ii) we stayed nimble to the pandemic control measures to resume delivery business through implementation of flexible working hours, and (iii) we offered menu items suitable for delivery, featuring menu items in smaller portions and menu items tailored for takeaway dining. During the Track Record Period, our delivery business has achieved growth in revenue and order volume. See "– Our Delivery Business."

We achieved stable growth and expansion in terms of restaurant network in the eight months ended August 31, 2024, and achieved increase in the revenue as compared to the same period in 2023. To fulfill our long-term commitment to offering affordable dining experiences to consumers and to accommodating the consumer preferences, we have strategically lowered our menu item prices in 2024, leading to slight decreases in average spending per dine-in customer and average spending per delivery order in the same period. Our expanded restaurant network allowed us to achieve a stable growth in the total dine-in customers served, total sales of delivery business and total orders from delivery business in the eight months ended August 31, 2024 as compared to the same period in 2023. In addition, our restaurants experienced declines in certain performance indicators in the eight months ended August 31, 2024 compared to those in the same period in 2023, such as average daily sales per restaurant, average daily dine-in sales per restaurant, average daily dine-in customers served per restaurant, daily sales per unit area and table turnover rate, primarily because of one or the combined effect of the following factors (i) the base effect as a result of the rapid surge in spendings of consumers in China's catering market during the first several months in 2023 following the gradual phasing-out of the COVID-19 pandemic, which was in line with the spending patterns in other consumer sectors according to Frost & Sullivan, (ii) our strategic adjustments to the menu item prices as discussed above, and (iii) some of our newly opened *Xiaocaiyuan* restaurants in the eight months ended August 31, 2024 were still in their ramp-up period as of August 31, 2024.

Leveraging our strong restaurant management capabilities and increasing brand awareness, our new restaurants generally have relatively short ramp-up period and are able to achieve a level of average daily sales close to that of existing restaurants which have operated for years. In addition, the average daily sales of our restaurants (including revenue generated from restaurant operations and delivery business) maintained a general upward trend during the Track Record Period, showing the increasing market recognition and enhanced customer loyalty in our well-established markets. The average daily sales per restaurant of the *Xiaocaiyuan* restaurants by year of opening are set forth below for the periods indicated.

	For the year ended December 31,			For the eight months ended August 31,	
	2021	2022	2023	2023	2024
Average daily sales per restaurant (RMB)					
Restaurants opened before and in 2020	24,035.9	24,993.7	29,111.0	30,529.1	27,026.9
Restaurants opened in 2021	19,296.4	21,388.9	25,456.5	26,553.6	23,797.5
Restaurants opened in 2022*	–	19,903.0	22,988.4	23,907.1	21,914.2
Restaurants opened in 2023	–	–	23,719.2	25,552.3	23,280.2
Restaurants opened in 2024*	–	–	–	–	19,719.2
Overall	**23,473.8**	**23,813.8**	**27,086.8**	**28,564.6**	**24,491.4**

Note:

* There were transformations of *Xiaocaiyuan* restaurants from *Fuxinglou* restaurants in December 2022 (initially opened in September 2021) and in June 2024 (initially opened in December 2020), respectively.

Same Store Performance

Our revenue growth, profitability and improvements in other performance indicators are affected in part by our ability to make improvements from existing restaurants. Same store performance provides a period-to-period comparison of restaurant performance because it excludes the increases in performance indicators due to the opening of new restaurants by only comparing the operational and financial performance of those restaurants that have been in operation. For example, only revenue generated by a restaurant after it qualifies as a same store are used in the calculation of SSSG, and such revenue are compared against the revenue generated by that restaurant in the comparable days of the prior period. For purposes of calculating same store performance, between two periods, we define same stores as those *Xiaocaiyuan* restaurants that were open for at least 300 days in both 2021 and 2022 and in both 2022 and 2023, and for at least 201 days both in the eight months ended August 31, 2023 and 2024.

The table below sets forth our same store performance indicators for our *Xiaocaiyuan* restaurants during the periods indicated.

<table>
<tr><th></th><th colspan="4">For the year ended December 31,</th><th colspan="2">For the eight months ended August 31,</th></tr>
<tr><th></th><th>2021</th><th>2022(1)</th><th>2022(1)</th><th>2023</th><th>2023</th><th>2024(1)</th></tr>
<tr><td>Number of same stores(2)</td><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td>First-tier cities</td><td colspan="2">10</td><td colspan="2">13</td><td colspan="2">54</td></tr>
<tr><td>New first-tier cities</td><td colspan="2">66</td><td colspan="2">86</td><td colspan="2">95</td></tr>
<tr><td>Second-tier cities</td><td colspan="2">33</td><td colspan="2">38</td><td colspan="2">42</td></tr>
<tr><td>Third-tier cities and below (including county-level cities and counties)</td><td colspan="2">130</td><td colspan="2">172</td><td colspan="2">196</td></tr>
<tr><td>Total</td><td colspan="2">239</td><td colspan="2">309</td><td colspan="2">387</td></tr>
</table>

	For the year ended December 31,				For the eight months ended August 31,	
	2021	2022(1)	2022(1)	2023	2023	2024(1)
Same store sales(3) (RMB in thousands)						
Same store sales from dine-in customers						
First-tier cities	77,237.4	52,056.3	64,775.5	92,303.4	263,512.6	213,840.7
New first-tier cities	501,890.5	417,767.1	524,119.5	631,251.4	476,087.5	370,523.4
Second-tier cities	280,771.3	222,742.2	232,695.8	277,269.1	221,188.9	186,768.2
Third-tier cities and below (including county-level cities and counties)	870,932.8	731,361.9	929,093.4	1,080,092.6	883,891.6	736,370.2
Subtotal	***1,730,832.0***	***1,423,927.5***	***1,750,684.2***	***2,080,916.5***	***1,844,680.6***	***1,507,502.5***
Same store sales from delivery business						
First-tier cities	18,111.3	37,499.9	45,406.3	49,140.8	158,010.3	156,210.9
New first-tier cities	121,741.8	241,250.6	299,924.1	365,043.2	257,216.6	256,616.5
Second-tier cities	50,308.9	102,033.0	110,593.3	137,695.1	98,042.7	101,823.8
Third-tier cities and below (including county-level cities and counties)	123,370.4	263,609.5	343,222.5	446,846.0	334,274.7	363,354.9
Subtotal	***313,532.4***	***644,393.0***	***799,146.2***	***998,725.1***	***847,544.3***	***878,006.1***
Total	**2,044,364.4**	**2,068,320.5**	**2,549,830.4**	**3,079,641.6**	**2,692,224.9**	**2,385,508.6**
Same store sales growth (%)						
Same store sales growth from dine-in customers						
First-tier cities		(32.6)		42.5		(18.8)
New first-tier cities		(16.8)		20.4		(22.2)
Second-tier cities		(20.7)		19.2		(15.6)
Third-tier cities and below (including county-level cities and counties)		(16.0)		16.3		(16.7)
Subtotal		***(17.7)***		***18.9***		***(18.3)***
Same store sales growth from delivery business						
First-tier cities		107.1		8.2		(1.1)
New first-tier cities		98.2		21.7		(0.2)
Second-tier cities		102.8		24.5		3.9
Third-tier cities and below (including county-level cities and counties)		113.7		30.2		8.7
Subtotal		***105.5***		***25.0***		***3.6***
Overall		**1.2**		**20.8**		**(11.4)**

	For the year ended December 31,				For the eight months ended August 31,	
	2021	2022[1]	2022[1]	2023	2023	2024[1]
Average same store dine-in customers served per day[4]						
First-tier cities	318.5	236.8	227.0	305.3	300.9	261.3
New first-tier cities	306.8	255.7	250.4	299.4	308.4	269.5
Second-tier cities	349.3	290.7	263.1	304.6	324.1	302.6
Third-tier cities and below (including county-level cities and counties)	293.8	253.5	244.5	274.0	294.0	262.5
Overall	**306.1**	**258.6**	**247.7**	**286.2**	**301.8**	**268.4**
Average same store sales per day[5] (RMB)						
First-tier cities	26,715.8	27,829.8	26,684.8	29,834.2	32,224.1	28,091.7
New first-tier cities	26,452.0	28,290.1	27,191.7	31,822.4	31,895.3	27,170.1
Second-tier cities	27,779.8	28,379.5	26,127.5	30,247.4	31,300.3	28,265.6
Third-tier cities and below (including county-level cities and counties)	21,388.8	21,731.4	21,060.3	24,553.6	25,600.3	23,040.1
Overall	**23,896.7**	**24,698.7**	**23,612.6**	**27,507.6**	**28,684.9**	**25,324.9**
Same store daily sales per unit area[6] (RMB)						
First-tier cities	77.0	79.9	83.8	93.5	96.9	84.5
New first-tier cities	72.7	77.6	77.5	90.9	95.9	81.7
Second-tier cities	80.7	82.5	76.3	88.3	93.6	84.5
Third-tier cities and below (including county-level cities and counties)	56.7	57.6	57.9	67.5	71.4	64.3
Overall	**65.0**	**67.1**	**66.4**	**77.4**	**82.9**	**73.3**
Same store table turnover rate[7] (times/day)						
First-tier cities	3.6	2.7	2.7	3.5	3.4	3.0
New first-tier cities	3.4	2.9	2.9	3.4	3.5	3.1
Second-tier cities	4.0	3.4	3.1	3.5	3.8	3.6
Third-tier cities and below (including county-level cities and counties)	3.2	2.8	2.7	3.0	3.2	2.9
Overall	**3.4**	**2.9**	**2.8**	**3.2**	**3.4**	**3.1**

Notes:

(1) There were transformations of *Xiaocaiyuan* restaurants from *Fuxinglou* restaurants in December 2022 (initially opened in September 2021) and in June 2024 (initially opened in December 2020), respectively.

(2) The number of same stores between 2021 and 2022 is 239 and the number of same stores between 2022 and 2023 is 309, and as such, the same store data disclosed above for the year ended 31 December 2022 are different in two pairs of comparison.

(3) Same store sales refer to the aggregate restaurant revenue from our same stores, including revenue generated from restaurant operations and delivery business.

(4) Average same store dine-in customers served per day is calculated by dividing the total number of dine-in customers served at our same stores by the total restaurant operation days of our same stores for the period in the same tier cities.

(5) Average same store sales per day is calculated by dividing the aggregate restaurant revenue of our same stores, including revenue generated from restaurant operations and delivery business, by the total restaurant operation days of our same stores for the period in the same tier cities.

(6) Same store daily sales per unit area is calculated by dividing the aggregate restaurant revenue of our same stores, including revenue generated from restaurant operations and delivery business, by the product of total restaurant operation days and restaurant operation area in sq.m. of our same stores for the period in the same tier cities.

(7) Same store table turnover rate is calculated by dividing the aggregate number of orders placed by dine-in customers at our same stores by the product of total restaurant operation days and average table count of our same stores for the period in the same tier cities.

We achieved a slight increase in the same store sales in 2022 as compared to 2021, despite a decline in the general same store sales of the mass Chinese cuisine market in China in 2022 due to the COVID-19 pandemic. The periodical resurgences of COVID-19 pandemic in China resulted in less dine-in consumptions in our restaurants in 2022. For instance, our same store sales in first-tier cities decreased by 6.1% in 2022 as compared to 2021, primarily because generally all first-tier cities in China were impacted by the COVID-19 pandemic that year, resulting in an approximate 10% year-on-year decrease in the number of operation days for our same store restaurants in first-tier cities in 2022. We swiftly responded to the changing conditions, such as staying nimble to the pandemic control measures and resume delivery business through the implementation of flexible working hours, allowing us to maintain a positive same store sales growth rate against the generally downward trend in 2022 in the industry. Our same store sales increased significantly in 2023, primarily because of (i) the standardization that we achieved in our management and operations, ensuring the stable and high-quality of our dishes and services, which further enhanced our popularity and recognition in the market, (ii) our dedication to developing new menu items and updating our existing menu based on our research and study on the changing customer preferences, (iii) the effective application of information technologies that we have achieved in our management and operations, resulting in our improved operational efficiency, (iv) the rapid growth of our delivery business supported by our dedication to develop delivery-only menu items, such as menu items suitable for one-person consumption, our active cooperation with online food delivery platforms and various promotional activities, see "– Our Delivery Business," and (v) the recovery of our dine-in customer traffic following the gradual phasing-out of COVID-19 pandemic since early 2023. Similar to the declines in the performance indicators in the eight months ended August 31, 2024 as discussed above, our same store sales and other same store indicators also generally decreased in the eight months ended August 31, 2024 as compared to those in the same period in 2023, primarily because of one or the combined effect of the following factors (i) the base effect as a result of the rapid surge in spendings of consumers in China's catering market following the gradual phasing-out of the COVID-19 pandemic, and (ii) our adjustments to the menu item prices to accommodate the preferences of consumers, demonstrating our long-term commitment to bringing cost-effective experience to our customers.

Initial Breakeven Period and Investment Payback Period

Our standardized and scalable business model support our restaurants to improve initial breakeven and investment payback performance during the Track Record Period.

Initial Breakeven Period

Initial breakeven period refers to the first calendar month for the restaurant revenue of a newly opened *Xiaocaiyuan* restaurant to at least equal to its operating expenses. The initial breakeven periods of our *Xiaocaiyuan* restaurants opened during the Track Record Period were generally around one to two months. In addition, we were committed to enhancing our breakeven performance by effectively managing the average initial breakeven periods of the restaurants opened in each of 2021, 2022, 2023 and the eight months ended August 31, 2024, respectively. This is mainly due to (i) the standardization that we have achieved in our management and operations, ensuring the stable and high-quality of our dishes and services, which further enhanced our popularity and recognition in the market, and (ii) the information technology capabilities in our management and operations, resulting in our improved operational efficiency.

During the Track Record Period, we opened 382 new *Xiaocaiyuan* restaurants (net of 10 opened but closed during the Track Record Period), of which 369 *Xiaocaiyuan* restaurants (or 96.6%) had achieved initial breakeven as of August 31, 2024. The remaining 13 *Xiaocaiyuan* restaurants (each a "**Non-Breakeven Restaurant**") had not yet achieved initial breakeven as of August 31, 2024, which were all opened in 2024, respectively. Specifically, there were nine Non-Breakeven Restaurants opened in August 2024 and had not yet been open long enough to achieve initial breakeven, and the other Non-Breakeven Restaurants did not achieve initial breakeven primarily because they did not achieve sales in line with our expectations.

The initial breakeven periods of our *Fuxinglou* and *Guandi* restaurants were around 9 months and 17 months, respectively. The initial breakeven period of two *Caishou* restaurants, which had achieved initial breakeven as of August 31, 2024, was around 1.5 months. The rest two *Caishou* restaurants were closed in May 2024 and July 2024, respectively, which had not yet achieved initial breakeven by then, because the customer traffic in the commercial districts where they were located did not meet our expectations.

In 2021, 2022, 2023 and the eight months ended August 31, 2024, the number of our loss-making restaurants (excluding the restaurants closed in the year) was 63, 66, 66 and 56, with their total amount of operating losses of RMB15.8 million, RMB18.5 million, RMB13.3 million and RMB11.2 million, respectively. We take a restaurant as loss-making restaurant, if that restaurant records by-restaurant operating loss in each year or period during the Track Record Period. Those restaurants recorded by-restaurant operating loss primarily because of one or the combined effect of the following factors: (i) for each year or period during the Track Record Period, certain restaurants had not yet been opened for long enough to generate profit (i.e. the ones opened in the last two months in each year or period), (ii) the COVID-19 pandemic adversely affected the operating activities of certain restaurants in 2021 and 2022, and (iii) certain restaurants did not achieve sales in line with expectations.

To improve the performance of our loss-making restaurants, we have adopted a set of internal measures, including, but not limited to (i) regularly reviewing all expenses to identify areas where it can optimize while not compromising quality or service, for example, renegotiating with landlords for lower rent; (ii) improving the quality of the dishes; (iii) reviewing the performance of the key restaurant employees and investing in staff training to improve service capability to attract more customers; (iv) making adjustments to the team of key restaurant employees where necessary; and (v) launching marketing events and increasing advertising activities.

Investment Payback Period

Investment payback period refers to the amount of time it takes for a restaurant by accumulating its EBITDA (excluding depreciation of right-of-use assets) at a single-restaurant-level to cover the capital expenditures to open that restaurant. When calculating investment payback period, we took into account, among other things, the capital expenditures for design, decoration, fire safety facilities and purchase of equipment and other facilities. Among the restaurants which have achieved investment payback as of August 31, 2024, the average investment payback period for those opened in each of 2021, 2022 and 2023 was 17.3 months, 12.3 months and 9.4 months, respectively. The average investment payback period of our *Xiaocaiyuan* restaurants, which were opened during the Track Record Period and have achieved investment payback as of August 31, 2024, was approximately 13.8 months. In comparison, the average investment payback period for restaurants, opened in 2021, 2022, 2023 and the eight months ended August 31, 2024 in the mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100 is typically over 18 months, according to Frost & Sullivan. We managed to shorten the investment payback period of new restaurants primarily due to our advanced and strong management capabilities and operational efficiency supported by our standardization efforts as well as the effective application of information technologies, ensuring the stable and high-quality of our dishes and services, which further enhanced our popularity and recognition in the market.

During the Track Record Period, we opened 382 new *Xiaocaiyuan* restaurants (net of 10 opened but closed during the Trade Record Period), of which 195 *Xiaocaiyuan* restaurants (or 51.0%) had achieved investment payback as of August 31, 2024. The remaining 187 *Xiaocaiyuan* restaurants (the "**Non-Investment Payback Restaurants**") had not yet achieved investment payback as of August 31, 2024, including 9, 5, 67 and 106 *Xiaocaiyuan* restaurants opened in 2021, 2022, 2023 and the eight months ended August 31, 2024, respectively.

The Non-Investment Payback Restaurants did not achieve investment payback primarily because of one or the combined effect of the following factors (i) certain restaurants had not yet been opened for long enough to achieve investment payback, (ii) the COVID-19 pandemic adversely affected the operating activities of our restaurants, and (iii) certain restaurants did not achieve sales in line with our expectations.

The investment payback period of our *Guandi* restaurant was approximately 45 months, and our *Fuxinglou* and *Caishou* restaurants had not yet achieved investment payback as of August 31, 2024.

Enhanced Measures to Improve the Performance of the Non-Breakeven Restaurants and the Non-Investment Payback Restaurants

To improve the performance of the Non-Breakeven Restaurants and the Non-Investment Payback Restaurants, we have adopted a set of internal measures to improve their performance during the Track Record Period, such as (i) regularly reviewing all expenses of the relevant restaurants, to identify areas where it can optimize while not compromising food quality or service, for example, renegotiating with landlords for lower rent; (ii) analyzing the popularity and profitability of each menu item offered in the relevant restaurants, removing menu items with low sales or profit margins, and focusing on high popularity or high-margin menu items; (iii) reviewing the performance of the key restaurant employees and providing staff training to improve service capabilities so as to attract more consumers; and (iv) optimizing the team of key restaurant employees where necessary.

OUR COMMUNITY CATERING BUSINESS

We recognized the significant potential of the extensive Chinese cuisine community catering market and started our exploration in this market around October 2023, launching *Caishou* brand for our community catering business. We seek to leverage our experience accumulated from the successful operation of *Xiaocaiyuan* restaurants, especially our operation experiences, standardization capabilities, effective application of information technologies and established supply chain network, to quickly establish the presence of community catering restaurants and refine its business model.

Set forth below are certain key features of a typical community catering restaurant, illustrating the essential aspects of its operation model:

- *Site selection*: Our community catering restaurants are expected to be located around residential areas, aiming to cover the residents across different age groups within a 3km radius of restaurant site. A typical community catering restaurant has an area of approximately 150 to 200 sq.m., with around 30 to 40 tables, and the capacity of serving approximately 60 to 80 consumers at the same time. In addition to the restaurants geographically close to residential areas, we also intend to establish community catering restaurants around office buildings. We would adjust the operation model of these restaurants to better address the needs of consumers in office buildings.

- *Menu and pricing*: We design menus for community catering restaurants primarily based on the key characteristics of consumers' consumption patterns for daily meals, namely value-consciousness, high turnover rate and high repurchase rate. We would price each menu item between RMB5 and RMB30. We expect that each consumer is likely to order two or three dishes for one meal, resulting in an average spending per consumer between RMB20 and RMB40. We plan to proactively collect consumer feedbacks and periodically updates our menu to include popular and seasonal dishes.

- *Serving process*: To maximize operational efficiency, our community catering restaurants are designed to employ a self-service model. Substantially all dishes are expected to be pre-cooked right before peak hours, served in small entrées and displayed at the shelf for consumers to collect to save time and costs for cooking and service. The self-checkout counters allow consumers to conveniently pay their meals through their mobile phones. The average dining time of a consumer from entering a restaurant to finishing the meal is approximately 25 minutes, significantly raising the table turnover rate.

- *Operation and Staffing*: Our community catering restaurants are all backed by our established supply chain network. The majority of food ingredients are pre-cleaned and pre-portioned and ready for cook upon delivery to the restaurants. The kitchens of community catering restaurants are equipped with cooking robots, and other smart devices, requiring minimum human interference after pre-configuration, allowing new employees to become proficient in operating these devices after brief trainings, reducing our dependence on professional chefs. By employing such a self-service and standardized operation model, we expect to achieve staffing optimization, minimizing the number of restaurant frontline staff without harming operational efficiency and consumers' dining experiences.

- *Digital management:* The operations and management of our community catering restaurants will be supported by our established digital operation and management systems, assisting our management to achieve refined management over these restaurants.

OUR DELIVERY BUSINESS

We operate our delivery business through major third-party online food delivery platforms in China. Our headquarters directly manages and oversees delivery business and negotiates with those online food delivery platforms on behalf of all our restaurants to obtain favorable commercial arrangements and ensure the consistent service quality and standards of our delivery business. In addition to the menu for dine-in customers at our restaurants, we also offer delivery-only menu, such as menu items suitable for one-person consumption, catering to consumers' preferences under food delivery consumption scenarios.

Set forth below are the key terms of our agreements with third-party delivery platforms:

- *Term.* Typically one year, which is automatically renewable unless any of the parties disagrees.

- *Delivery services*. Third-party online food delivery platforms are responsible for ensuring that delivery orders are delivered in time and are responsible for any losses caused by delays in delivery. We require the delivery teams of the third-party online food delivery platforms to be well equipped to secure quality and food safety of the delivery orders in transit.

- *Service fees*. We agree to pay a certain percentage of the sales amount generated through the online food delivery platforms as a commission fee and a delivery fee composed of base fare and variable fee determined by delivery distance and sales amount.

- *Payment settlement*. Third-party online food delivery platforms collect consumer payments on our behalf and settle such payments with us typically within four days after the completion of a delivery order, net of service fees we agree to pay.

- *Food safety and quality control*. We are generally responsible for securing food safety and quality of delivery orders. Third-party online food delivery platforms shall be responsible for losses arising from any food quality issues attributable to them during the course of delivery.

We have adopted quality control measures with respect to delivery orders performed by third-party online food delivery platforms. For example, we require our restaurant frontline staff to properly pack and seal the food to be delivered to prevent contamination from the external environment and physical damage during the course of transportation. In addition, we require the third-party online food delivery platforms to be well equipped with standard delivery boxes to maintain food quality during the course of delivery. In terms of operating requirements, we monitor the third-party food delivery platforms' performance by applying key performance indicators on measures such as delivery punctuality rate and order taking rate, to encourage improvement on punctuality and service quality. We assess their performance according to these indicators through requiring them to submit regular reports and, where necessary, organize meetings with them to discuss vital issues and measures for improving performance. We also keep track of consumer complaints on these third-party online food delivery platforms, which also impacts the performance evaluation of the third-party online food delivery platforms.

In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our revenue generated from our delivery business at our *Xiaocaiyuan* restaurants were RMB409.5 million, RMB1,027.4 million, RMB1,486.7 million, RMB950.8 million and RMB1,307.2 million, respectively. For the same periods, the number of orders for our delivery business at our *Xiaocaiyuan* restaurants was 4.8 million, 13.8 million, 18.9 million, 11.8 million and 18.4 million, respectively, and the average spending per delivery order at our *Xiaocaiyuan* restaurants remained relatively stable at RMB85.0, RMB74.5, RMB78.6, RMB80.9 and RMB71.2, respectively. The rapid growth of our delivery business during the Track Record Period was mainly contributed by the following factors (i) through food delivery services, our offerings of delicious, healthy and affordable dishes are able to reach broader consumer base, leading to our further increasing popularity and recognition in the market; (ii) our efforts in analyzing consumption related information, such as research and study on consumers preferences and profiles, allow us to more effectively develop and update delivery-only menu, such as menu items in smaller portion and menu items catering to the take-out dining demands; (iii) we actively cooperate with online food delivery platforms to promote our delivery business, coupled with various promotional menu sets; and (iv) we provided convenient services to consumers during the pandemic, and take-out service is becoming an increasingly popular dining option for the Chinese consumers after the pandemic.

STANDARDIZATION MANAGEMENT OF OUR RESTAURANTS

We closely supervise the operations of our restaurants to ensure the consistent quality of dishes and services offered across our restaurant network and to enhance our overall operational efficiency. We have built a highly standardized and scalable business model, which has been instrumental to our success in achieving our affordable pricing strategy and rapid restaurant network expansion.

Restaurant Operation

Our self-operation model embedded with the standardization capabilities enables us to expand quickly without compromising the quality of our offerings. We have established a comprehensive set of standards and procedures governing the key aspects of restaurant operations. As a result, we are able to maintain sufficient control over the quality of dishes and services we deliver to our consumers and consumers can enjoy our dishes with consistent quality and taste at any of our restaurants. In particular, we have implemented the following measures to standardize the management and operation of our restaurants.

- *Kitchen management.* We have established a comprehensive set of SOPs with respect to the key aspects of our restaurant operations, including food storage, food processing, food preparation, food serving and employee conduct. For example, our restaurant frontline staff are required to follow standardized procedures to ensure that the flavor, visual presentation, quality and food hygiene of our dishes meet our standards. Our restaurant managers and head chefs are able to monitor the status of orders on a real-time basis with the assistance of the digital tools we have applied at our restaurants, see "– Our Information Technologies."

- *Service management.* For the dining area of a restaurant, we have implemented a comprehensive service management procedures that connects our restaurant frontline staff at various positions to create an efficient service operation process. We have also set up strict table service SOPs that include every step from greetings when they walk into our restaurants to properly seeing them off when they finish dining and leave our restaurants.

- *Supply chain management.* We have established a digital supply chain system on our business middle-end system to support our self-built supply chain network. The system allows our restaurants to conveniently place orders for food ingredients based on their sales and forecast so that each restaurant is able to receive healthy, fresh and quality food ingredients on a daily basis. This system also enables us to closely monitor consumption of food ingredients and related costs, procurement amounts and inventory level at each restaurant and warehouse, facilitating inventory management and cost control. For details, see "– Our Information Technologies – Smart Support."

Restaurant Management Mechanism

Our headquarters conduct monthly management meetings with regional managers to deliver nationwide policies, share regional experiences, and conduct case studies. Our regional managers are responsible for budgeting, cost control, and overall restaurant operations within their regions, as well as managing key restaurant employees and providing support to individual restaurants. Restaurant managers and head chefs report monthly to regional managers, covering key operational aspects such as sales performance, cost management, inventory management, food safety, and human resources.

Our organizational structure enables us to implement uniform standards and procedures on employee management across our restaurant network, while leaving regional groups with sufficient flexibility to address issues arising from local conditions. See "– Organizational Structure and Our People." For instance, our headquarters formulates the specific assessment guidelines for evaluating restaurant performance, and our regional groups conduct periodic evaluation of the performance of each restaurant in accordance with such guidelines. Regional groups approve the promotions of restaurant key employees, mainly taking into account factors such as restaurants' business performance and compliance with our uniform standards and procedures. For restaurant frontline staff, restaurant managers and head chefs are responsible for conducting their performance assessments and promotion recommendations. Our headquarters also hold monthly training programs for newly promoted restaurant managers, head chefs, and other outstanding employees, where they can share experiences. Our goal is to motivate and promote our employees at all levels through a transparent performance assessment system. See "– Organizational Structure and Our People."

We also maintain a restaurant inspection program, which involves unannounced inspections of our restaurants from time to time. Our management and regional groups would perform anonymous restaurant inspections, to check the storage conditions of food ingredients, the quality of the dishes served to consumers and the overall operating conditions of the inspected restaurant. In addition, with the assistance of our smart camera system, we are able to access the operations of each restaurant and easily locate key information and investigate pertinent incidents in a timely manner, see "– Our Information Technologies."

Menu Development

We develop new menu items or update our existing menu based on the changing consumer preferences. Menu development is a company-wide effort led by our founder, Mr. Wang, who works with our menu development department, marketing department and supply chain department. The principal steps of our menu development process generally comprise:

- *Market research*. We keenly observe the market to understand consumer preferences. We also leverage the insights of our sales to understand the performance of different menu items in the past.

- *Testing*. We perform in-house trial and test of our menu items for taste, food safety and quality. We also conduct external taste tests, inviting our chefs from different restaurants and consumers with diversified backgrounds to evaluate the menu items on taste, texture, appearance and overall presentation.

- *Viability analysis*. We analyze whether a new menu item is viable from both commercial and operational perspectives. We conduct a comprehensive cost analysis based on the food ingredients and cooking process. In particular, we compare various sources of food ingredients to ensure that the new menu item can be sold at a price that provides affordable dining experiences for consumers while meeting our own profitability expectations.

- *Standardization and execution*. We create standardized procedures for procuring food ingredients for new menu items. Our menu development department works with our central kitchen to develop and manufacture standard condiment packets for each new menu item. We ensure that the food ingredients for new menu items can be easily and effectively cleaned and portioned at our central kitchen where applicable, stored at our warehouses, delivered to our restaurants and prepared at restaurants. Our menu development department prepares a standard cooking procedure card for each new menu item. We also provide various forms of training to chefs, such as live broadcasts, videos and on-site presentations, to ensure the consistency of the cooking process and the quality of each new menu item.

OUR INFORMATION TECHNOLOGIES

Our information technology capabilities serve as the foundation of our restaurant management. Specifically, our information technology infrastructure is consisted of, among others, our membership system, smart camera system, POS system, SAP system, business middle-end system and BI system, which collaboratively assist us in our management and operations. All of our information technology systems and tools are developed by third parties. We have built up data insights based on the information generated from our restaurant operations and internal management, which are further consolidated, cleaned and stored at our BI system. With the assistance of our BI system, we are able to achieve the visual expression of various performance indicators, informing the management's decision-making.

Information Technologies Supported Operation

- *Restaurant Management.* Our restaurant management is supported by the smart camera system, POS system and a series of smart devices. The smart camera system allows us to remotely access information in relation to our restaurant operations via mobile terminal devices and computers. This system allows us to effectively take control of food safety, service quality and SOP compliance in each restaurant. Additionally, we have been gradually upgrading our smart camera system in the kitchen areas through introducing AI modules, which is able to automatically detect, report and record potential incidents or accidents not in compliance with our internal rules and requirements. The combination of the smart camera system and our traditional restaurant inspection program lays the foundation for our online and offline restaurant inspection program, which helps us to effectively discover, follow up and respond to incidents in our restaurants and operational issues. We have introduced series of smart devices to our restaurant operation since 2023, including cooking robots and thermostatic electric frying stoves. Since these smart devices are able to prepare dishes with consistent taste, with precise configurations and smart functions, we expect they would enhance our operational efficiency within the kitchen areas.

  All of our restaurants are equipped with a POS system controlled by our headquarters, which is designed to improve operational efficiency, promote standardization and achieve centralized management of our restaurant network. The system is connected to mainstream third-party online payment platforms. The POS system also collects and records certain restaurant operation related data, including consumer count, dining time and order details, payments and membership information (if applicable), which shall be transferred to our BI system for operational analysis.

  We accept cash, credit cards, WeChat Pay, Alipay and other online payment methods at our restaurants. As online payments become increasingly common in China, risks related to cash management have been and are expected to be maintained at a minimal level. The percentage of cash payments in terms of total payments from our consumers declined over the Track Record Period, and in 2023 and the eight months ended August 31, 2024, cash payments accounted for 2.1% and 1.5% of our total revenue, respectively. To avoid misappropriation and embezzlement of cash, we have adopted a series of internal policies and measures in relation to cash management and delivery in each of our restaurants. Restaurant managers are responsible for ensuring that cash received during the day matches the sales records and is timely transferred to bank accounts. In addition, we have installed cameras in cashier areas to monitor and prevent misconduct, and our finance team monitors the accuracy of sales records through the POS system and cash balances in our bank accounts on a daily basis. During the Track Record Period, we did not encounter any incident of cash misappropriation or embezzlement that had a material adverse impact on our business, results of operations or financial condition.

- *Membership Management*. We adopted a membership system to manage our member customers, enhance their loyalty to our brands and increase repurchase rate. We upgraded our membership system with new features, such as loyalty points program, cash-voucher and prepayment program and membership subscription. Consumers are able to sign up for and access our membership program through our official account or mini program on mainstream social media platforms, where they are able to redeem their loyalty points, purchase prepayment cards or cash-vouchers, and browse our new marketing campaigns. Notifications in relation to our latest marketing information, such as new menu items, promotions and other marketing activities, are pushed to member customers from time to time. We had approximately 8.3 million registered members in our membership system as of the Latest Practicable Date.

  Our membership system is designed to collect and consolidate valuable consumption information, so as to effectively build up the consumption related data assets. Ultimately, through analyzing these consumption related data, the membership system is able to help us to launch marketing campaigns effectively.

Smart Decision

- *BI System.* With necessary authorizations, our BI system is connected to and collects data from our other information technology systems. Our BI system, leveraging our data assets, conducts modeling for analytical indicators in response to management needs. The BI system helps us to understand our data assets, establish and improve various key performance indicator systems, and achieve the visual expression of our data assets. Our BI system also facilitates our key decision-making processes with data-based analysis, allowing our management to make timely adjustments to our operating strategies.

  Specific scenarios of the BI system include:

  - *Data display.* Through mobile terminal devices, our management can access the financial information, operational information and any changes of a restaurant in real time, so as to monitor the overall operations of our restaurant network;

  - *Restaurant-performance analysis*. The BI system provides an overview of the performance of any single restaurant and of any regional group, including analysis of profit and loss, sales forecast, performance objectives tracking;

  - *Regional performance comparison*. The regional performance overview generated by the BI system can present the progress of different regional managers in completing performance objectives;

  - *Operation warning board.* The operation warning board presented by the BI system can display various warning indicators and send push messages to relevant personnel; and

  - *Menu item analysis board.* The menu item analysis board presented by the BI system can track and monitor the sales volume of a specific menu item and keep us informed on whether a menu item needs to be updated or removed, whether the launch of a particular new menu item is successful and whether the menu of a restaurant needs to be reviewed.

Smart Support

- *Business Middle-end System.* The business middle-end system is an end-to-end operation management system providing our restaurant frontline staff with a one-stop operation platform. The system is consisted of four modules: (i) the master data module ensures our data assets are accurate, consistent and transferable among the information technology systems used in our management and operations, achieving a standardized management of our data assets; (ii) the account checking module is able to automatically cross-check our internal and external account records, improving management efficiency and reducing human errors; (iii) the procurement management module covers the entire procurement cycle, from collecting orders placed by our restaurants, to making procurement from suppliers and finally to arranging deliveries to each restaurant, making our procurement process convenient and transparent; and (iv) the lease management module handles our obligation under leases and requirements of landlords, improving our operational efficiency.

- *SAP System.* Our SAP system is a software system designed to facilitate communication and coordination between finance department and business department. With the assistance of SAP system, our finance department is able to check account records from banks and third-party digital payment service providers against our internal systems, after which the confirmed data shall be automatically transferred to our SAP system to generate operational records, financial statements and relevant receipts, achieving the integration of business and finance management. The SAP system is also directly connected to the system of the banks we cooperate with, which shall send back transaction confirmation and records to our SAP system. The primary benefit of SAP system is its ability to streamline business processes by sharing data across finance department and business department and external entities, reducing the need for redundant data entry.

- *Digital Supply Chain System.* We are committed to applying information technologies in our supply chain network to improve our operational efficiency. We have integrated procurement module and logistics process module at the aforementioned business middle-end system, serving as our digital supply chain system. The system collects supply chain related data, such as the amount and frequency of the orders placed by each restaurant in relation to food ingredients and other consumables, and the production and inventory status at our central kitchen and warehouses. With the assistance of aforementioned BI system, we are able to make plans for the supply chain related operations, such as plans for procurement, production and inventory management. It is also able to generate cost control analysis based on the standard menu item cost cards made by our menu development department and other efficiency analysis.

  Specifically, our restaurants place orders for food ingredients and other consumables through the business middle-end system with reference to the procurement forecasts made by the BI system. We centralize restaurants' orders, instructs the corresponding warehouses to prepare the orders, and assigns tasks to our transportation fleet for delivery. With the assistance of the digital supply chain system, our supply chain network is able to ensure our inventory and logistics capacities are effectively allocated to meet the needs of our restaurants.

Consumer Privacy and Data Safety

As a consumer-facing company, we take a proactive stance on the protection of consumer privacy and data security. We comply with applicable laws and regulations on information security and privacy protection in the PRC. For more details, see "Regulatory Overview – Laws and Regulations on Cyber Security and Privacy Protection."

In the process of providing online services to our consumers through the WeChat and Alipay mini-programs, information that we may collect from our consumers include: mobile phone number, name (optional), gender (optional), date of birth (optional), payment information, order information (including payment time, payment amount, payment method, purchased dishes). We collect those consumers' information to support our membership system and offer member benefits, such as birthday gifts. For dine-in services, we capture transactional details through QR code scanning to expedite order placement. Before collecting any personal information, we typically obtain authorization and consent from consumers through the user interaction interface of the mini-programs by requiring consumers to expressly agree to the privacy policy. The privacy policy informs consumers about the scenarios and purposes of personal information collection. For optional personal information, such as name, gender, date of birth, consumers can choose whether to provide relevant information. If consumers choose not to provide relevant information, it does not affect the basic functions of using the mini-programs. We indirectly collect information from third-party food delivery platforms for our delivery business, such as user nicknames, pseudonymized mobile phone numbers, pseudonymized addresses, selected dishes, and purchase amounts. We do not store user nicknames, pseudonymized mobile phone numbers, or pseudonymized addresses, while we usually only store records for selected dishes, name of platforms and purchase amounts. Our delivery business relies on those pseudonymized data from third-party platforms to ensure delivery order fulfillment. The dining areas of our restaurants are equipped with cameras for maintaining the security of public areas and for food safety and quality control purposes. We have posted signs of "You have entered a monitored area" where necessary.

During the Track Record Period and up to the Latest Practicable Date, we collect personal information from users with their prior consent, and we stored such data within the PRC and there is no cross-border transmission of users' data. We strictly adhere to applicable legal mandates concerning data collection and storage and the safeguarding of consumer privacy.

The storage of personal information by us follows the principle of minimum necessity, specifically: (i) when our registered members request to delete their information or cancel their membership, we will promptly delete or anonymize their personal information, except as otherwise provided by laws and regulations, (ii) in the case of order information we obtain from a third-party delivery platform, we only keep order details, such as the source of third-party delivery, the name and quantity of dishes ordered and the price of the order, which are not personally identifiable. According to relevant PRC laws and regulations, the storage period for product and service information and transaction information shall be no less than three years from the date of completion of the transaction, and the storage period for network security logs shall be no less than six months.

We have also adopted a set of security safeguard measures to protect the data we have accumulated and stored, including, but not limited to, encryption technology for data transmission and storage, applying strict user data access policies. Additionally, we provide trainings to our employees to emphasize the importance of complying with relevant laws and our internal policies. We have attained Classified Protection of Information Security Level 2 granted by the Tongling Municipal Public Security Bureau's Network Security and Protection Detachment (銅陵市公安局網絡安全保衛支隊), which testifies to our data security capability. All the aforementioned data is stored within the PRC.

In terms of internal management, we have established necessary internal control policies and measures, such as:

- Information Department Organizational Structure and Job Descriptions (《信息部組織架構及崗位說明》), which clarifies the responsibilities of our information department and the reporting line thereof;

- Information Security Management Measures (《信息安全管理辦法》), which specifies the internal organization with respect to information security management, including the responsibilities of the informatization management committee and the information department;

- User and Password Management Measures (《用戶及密碼管理辦法》), which stipulates the usernames and passwords used and/or stored in our systems, and classifies the users in our systems such as system users, application users, desktop computer users, and temporary users;

- Record Management Measures (《備案管理辦法》), which provides detailed procedures and policies for data backup of our information technology systems;

- Data Management Measures (《數據管理辦法》), which stipulates the classification, anonymization, storage, and cleaning in relation to the data collected by us;

- Personal Information Security Impact Assessment (《個人信息安全影響評估》), which provides detailed measures on the framework, methods, and procedures for assessing the security impact of personal information collected by us;

- Personal Information Protection Management Measures (《個人信息保護管理辦法》), which stipulates the procedures and policies for the collection, storage, transmission, processing of personal information collected by us;

- Data Classification and Grading Management Measures (《數據分類分級管理辦法》), which stipulates the policies for classifying and grading data based on its importance, sensitivity and potential impact of data leakage;

- Information Security Emergency Response Plan (《信息安全應急處置預案》), which classifies security incidents into different types, and stipulates emergency response principles, emergency command agencies and responsibility allocation in case of a security incident;

- Project Implementation Management Measures (《項目實施管理辦法》), which provides detailed procedures and measures for the qualification certification of project implementers, the signing of agreements, risk monitoring, operation and maintenance, information security training and service quality control;

- Operation Management Measures (《運行管理辦法》), which provides detailed regulations on information system operation and maintenance management responsibilities, internal control management and operation standards;

- Risk Management Measures (《風險管理辦法》), which stipulates basic principles and operational basis for information technology risk management;

- Access Control Management Measures (《訪問控制管理辦法》), which specifies reasonable control over all systems, ensuring that login operations must be performed and logs recorded before accessing the system;

- The Personal Information Compliance Audit System (《個人信息合規審計制度》), which regulates the conduct of personal information compliance audits within our domestic entities; and

- Network Information Security Complaint and Reporting System (《網絡信息安全投訴、舉報制度》), which specifies that our customer service department is responsible for handling complaints from users.

Our information department is responsible for our data privacy and security and oversees data protection management. We have established a data privacy and security team focusing on the management and review of our data protection mechanism. In terms of firewall protection, our network ports are equipped with firewalls for anti-intrusion and anti-leakage management. In terms of data backup, we have purchased cloud services from Aliyun, which automatically uploads our stored data to the cloud servers on daily basis. In terms of authorization and authentication procedures, we use the services provided by Aliyun to implement user identity management and access control management, and we have been awarded information security level 2 protection by the Tongling Municipal Public Security Bureau's Network Security and Protection Detachment (銅陵市公安局網絡安全保衛支隊).

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any litigation, arbitration, administrative penalties arising from any cybersecurity, data compliance and privacy protection related incidents, have not experienced any significant cybersecurity and data security incidents and have not been subject to any investigations, reviews or interviews by any governmental authorities in connection with the latest regulatory requirements. As advised by our PRC legal advisor, during the Track Record Period and up to the Latest Practicable Date, we had complied with the currently effective PRC laws and regulations on data security, personal information protection and cybersecurity in material respects related to our business operations.

ORGANIZATIONAL STRUCTURE AND OUR PEOPLE

Our internal organization consists of three components, namely our headquarters, regional groups and restaurants. Our organizational structure enables us to implement uniform standards across our restaurant network, while providing our regional groups with sufficient flexibility to address local conditions. Our headquarters holds monthly management meetings with regional groups to deliver nationwide operating policies, share operating experiences from all regions and conduct case studies.

Headquarters

Our headquarters effectively maintains control over critical aspects of our central management, including supply chain network management, compliance, information technology, human resources, restaurant expansion management and finance. We believe that these aspects of our operations require overall management to ensure our operational efficiency.

Regional Groups

Our *Xiaocaiyuan* restaurant network management consists of five regional groups, each is managed by a team of regional managers. Each regional group closely monitors and manages the restaurant operations within a region. Our regional managers are responsible for overall budgeting, cost control and the operations of the restaurants in their respective regions, as well as the management of key restaurant employees, overseeing and providing support to individual restaurant. Our restaurants under other brands are separately managed by respective brand managers, who directly report to our headquarters.

Restaurant-level

The day-to-day operations of our restaurants are jointly managed by key restaurant employees, namely the restaurant manager, the deputy restaurant manager, the head chef and the deputy head chef. Each restaurant is typically staffed by around 28 restaurant employees, including key restaurant employees and restaurant frontline staff. The restaurant managers are responsible for the management and/or the handling of the restaurant frontline staff, consumer complaint, food safety matters and other emergency situations. The head chefs are responsible for food preparation and quality, food ingredient supply management, restaurant inventory and food safety matters. We internally rotate key restaurant employees among restaurants within the same region in order to encourage the sharing of operational skills and management experiences. Restaurant managers and head chefs are required to report to the corresponding regional managers on a monthly basis, which covers the key aspects of restaurant operations, such as sales performance, costs management, inventory management, food safety and human resources.

Employee Promotion, Management and Training

We aim to help more employees to achieve their career goals with us. We value our employees and believe that training and cultivating committed employees are crucial to our growth. We are committed to nurturing a workforce that embodies a profound comprehension of our core value. This commitment is integral to preserving *Xiaocaiyuan*'s culture amidst our expansion. To achieve this, we prioritize offering promotion opportunities to our talented employees who are capable of becoming key restaurant employees, fostering their growth within our organization. We believe our employee promotion mechanism enables us to develop future restaurant managers and head chefs, providing solid support for our rapid expansion. For example, we usually engage key restaurant employees from our existing restaurants to manage and operate new restaurants. We believe that the assistance of our existing key restaurant employees on the one hand ensures an efficient implementation of our standardized operational procedures and best practices in newly opened restaurants, and on the other hand allows those key restaurant employees to envision their career path and growth potential with us.

We also provide competitive compensation packages to our employees. For example, for regional managers, their compensation package includes base salary depending on the number of restaurants they manage and a discretionary bonus depending on the performance of such restaurants. In terms of our key restaurant employees, their compensation packages include base salary and a certain percentage of the profits from their respective restaurants as a discretionary bonus. In particular, for the key restaurant employees who are engaged to run new restaurants, they are entitled to the discretionary bonus from both the new restaurants and their original restaurants for a certain period. In terms of restaurant frontline staff, their compensation package includes base salary, overtime pay and incentive bonus based on individual performance. We have developed and implemented a compensation mechanism that considers every task in the restaurant for bonus review, such as the number of signature dishes sold and positive customer reviews received.

We hold monthly training programs for newly promoted restaurant managers and head chefs and other outstanding employees, where they share their working experiences and our management reiterates our values, motivating our employees to embrace our values, improve operational skills and develop management competencies for their career advancement.

As of the Latest Practicable Date, all our regional managers and most of our restaurant managers and head chefs were cultivated and promoted internally. Our employee promotion mechanism also enables us to have a high retention rate of our key restaurant employees. As of the Latest Practicable Date, 998 of our restaurant managers and head chefs had worked with us for over one year, representing 86.1% of the total number of restaurant managers and head chefs, of which 600 restaurant managers and head chefs had worked with us for more than three years.

SUPPLY CHAIN MANAGEMENT

We have established a comprehensive supply chain network, consisting of one central kitchen and 14 warehouses in China as of August 31, 2024. We also have a in-house transportation fleet over 200 vehicles to ensure effective delivery of supplies to each restaurant. Our self-built supply chain network empowers us to execute efficient cost control strategies primarily by procuring high-quality supplies at advantageous prices, enabling us to present our consumers delicious meals at affordable prices.

Our supply chain network, through daily precise stock replenishment for each of our restaurants, ensures the stable supply of healthy, fresh and quality food ingredients and other consumables. Our supply chain operation includes four critical stages: (i) procurement of goods from suppliers; (ii) cleaning and portioning of certain food ingredients and preparation of standard condiment packets at our central kitchen; (iii) delivery from our central kitchen or directly from suppliers to our warehouses for storage; and (iv) delivery to our restaurants from our warehouse network supported by our in-house transportation fleet. We have implemented a stringent quality assurance system to oversee every stage of our supply chain network, spanning from upstream suppliers to our restaurants.

Procurement and Supplier Management

The food ingredients we purchase primarily include the chicken, beef, pork, aquatic products, vegetables, rice and condiments. The consumables used in our restaurants that we purchase include, among others, takeaway packing boxes and cleaning supplies, small cooking equipment and other supplies. We have adopted a standardized and centralized procurement strategy, and as of the Latest Practicable Date, we have successfully achieved the centralized procurement of substantially all of food ingredients. The centralized procurement mechanism ensures that we are able to (i) meet our procurement needs, (ii) carefully select and vet new suppliers, (iii) regularly inspect and evaluate existing suppliers; and (iv) negotiate competitive purchase terms with suppliers. Leveraging our economies of scale, we have secured advantageous pricing from suppliers and maintained strong bargaining powers, achieving effective cost control.

We have strict and standardized rules about the quality of the supplies we procure, especially with respect to food ingredients used in our operations. For example, we only use non-GMO edible oil to prepare dishes and drinking water to prepare soup and rice. In addition, we have entered into a number of food ingredients supply framework agreements so that we are able to secure a stable and high-quality supply of key food ingredients from farms and producers at their origin places. For example, we procure rice grown in Wuchang, Heilongjiang, known as the "Hometown of Chinese Rice," chicken raised by local farmers in the mountain area of southern Anhui, juicy shrimp from the Beihai sea area, mandarin fish with tender texture, quality black pork and chili peppers from Hunan.

We take a data-enabled approach to calculating our procurement needs. We maintain rolling forecasts of our procurement demand. These forecasts are calculated by analyzing historical sales data and future demand projections. We then use these forecasts to determine how much food ingredients and other consumables we need to purchase in a given time period in order to replenish our stock reserves. See "– Our Information Technologies – Smart Support."

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

Supplier Selection

We have standardized procedures to select and vetting suppliers. We prefer suppliers who are well-established reliable corporates. We generally prefer suppliers offering cost-effective solutions, such as those who are able to offer favorable terms and prices or are located close to our central kitchen or warehouses. For potential suppliers, we evaluate them using stringent selection procedures. If they pass those procedures, we add them to our list of qualified suppliers. We ultimately engage one or two suppliers from our list of qualified suppliers for each type of key food ingredients or other consumables.

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

- *Qualification review.* Our supply chain department is responsible for conducting a comprehensive audit of the suppliers by reviewing their licenses, permits, shareholding and organizational structures, production lines, internal control flowcharts and production standards, among other key considerations. Our supply chain department also conducts on-site inspections of the suppliers.

- *Sample testing.* Potential suppliers need to produce sample products for our menu development department to conduct relevant tests and verification. We have strict standards for each type of food ingredients to meet the preparation requirements of our menu items. Suppliers who have passed our sample tests may proceed to the next step of our selection process.

- *Trial production*. We then ask potential suppliers to begin trial production and arrange delivery of their products to our restaurants. This is to test that whether they can maintain stable quality and supply performance on a larger scale.

We had 305, 349, 339 and 348 qualified suppliers as of December 31, 2021, 2022, 2023 and August 31, 2024, respectively. We maintained commercial relationships with our key suppliers for more than three years as of August 31, 2024.

Supply Agreements

We generally enter into standard framework agreements with our suppliers for food ingredients and other consumables used in our restaurants, salient terms of which are set out as follows:

- *Term.* The contract term is typically one year subject to annual review and renewal.

- *Quality.* Relevant quality standards and specifications shall be in compliance with relevant laws and regulations, as well as industry standards. The suppliers are contractually required to present to us relevant licenses and certificates such as quality inspection certificates in connection with the products supplied to us.

- *Pricing*. The prices are generally fixed for prescribed periods of time set out in the agreements. When there are material price fluctuations in the market, subject to both parties' agreement, the prices may be adjusted with reference to the then market prices.

- *Delivery arrangement*. The suppliers are required to deliver the food ingredients to our designated places pursuant to the agreements or shall generally bear the transportation costs.

- *Inspection and acceptance*. The products are subject to our inspection upon arrival at our designated places, and we may refuse acceptance of any defective products. In case of any quality defects that are not due to our negligence in storage, we are entitled to a prompt replacement or refund by the suppliers.

- *Payment.* We generally settle payments with our suppliers within one month after we have received invoices from suppliers.

We may from time to time enter into strategic cooperative agreements with key suppliers in order to strengthen our business relationships with them and further secure sufficient supplies. We believe our long-term stable business relationships with such suppliers also enable us to minimize the risks of unexpected price fluctuations.

Supplier Management

In addition to new suppliers selection, we also regularly evaluate the existing ones. Our central kitchen, warehouses and restaurants closely inspect products delivered by suppliers. The products are subject to our inspection upon arrival at our central kitchen, warehouses or restaurants, and we may refuse acceptance of any products with obvious quality defects. We return products that do not conform to our standards or relevant laws or other regulations to the suppliers and generally do not pay for such products. Our supply chain department is generally responsible for conducting announced and unannounced inspections and on-site audits of our suppliers on a regular basis, without involving other inspection and testing agencies.

To the extent that we identify problems with a supplier through our audits, or through product issues reported at our central kitchen, warehouses or restaurants, we liaise with the supplier to see if it is able to rectify the issue in accordance with the standards set by us. We may terminate our cooperation with the supplier who cannot meet such standards. Under such circumstance, we would promptly replace the non-compliant supplier with a backup supplier.

Purchases from our five largest suppliers in each year or period during the Track Record Period amounted to RMB199.5 million, RMB241.6 million, RMB253.9 million and RMB304.9 million and accounted for 24.9%, 19.5%, 15.9% and 24.6% of our total purchases for the respective periods, with the purchases from the largest supplier in each year or period during the Track Record Period contributing 7.8%, 5.4%, 4.7% and 8.0% during the same periods, respectively. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or, to the knowledge of the Directors, had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers in each year or period during the Track Record Period. The tables below set forth information about our top five suppliers for the periods indicated.

For the eight months ended August 31, 2024

Rank	Supplier	Principal products procured	Year of commencement of business relationship	Purchase amounts	% of total purchases
				(RMB in thousands)	
1	New Hope Liuhe Co., Ltd. 新希望六和股份有限公司[(1)]	Food ingredients	2022	99,217	8.0%
2	Wuchang Qingxi Rice Industry Co., Ltd. 五常市慶喜米業有限公司	Food ingredients	2021	78,717	6.3%
3	Anhui Miaoyuanwai Agriculture Co., Ltd. 安徽苗員外農業有限公司	Food ingredients	2023	54,739	4.4%

Rank	Supplier	Principal products procured	Year of commencement of business relationship	Purchase amounts	% of total purchases
				(RMB in thousands)	
4	Beijing Ershang Meat Food Group Co., Ltd. 北京二商肉類食品集團有限公司(2)	Food ingredients	2022	38,376	3.1%
5	Yihai Kerry Foodstuffs Marketing Co., Ltd. 益海嘉里食品營銷有限公司	Condiments	2018	33,859	2.8%
Total				**304,908**	**24.6%**

Notes:

(1) Including transaction amounts of the entities which were controlled by New Hope Liuhe Co., Ltd..

(2) Including transaction amounts of the entities which were controlled by Beijing Ershang Meat Food Group Co., Ltd..

For the year ended December 31, 2023

Rank	Supplier	Principal products procured	Year of commencement of business relationship	Purchase amounts	% of total purchases
				(RMB in thousands)	
1	Wuchang Qingxi Rice Industry Co., Ltd. 五常市慶喜米業有限公司	Food ingredients	2021	74,755	4.7%
2	Anhui Miaoyuanwai Agriculture Co., Ltd. 安徽苗員外農業有限公司	Food ingredients	2023	47,363	3.0%
3	Anhui Jingde Huilongda Food Co., Ltd. 安徽旌德縣匯龍達食品有限公司	Food ingredients	2021	47,123	3.0%
4	Yihai Kerry Foodstuffs Marketing Co., Ltd. 益海嘉里食品營銷有限公司	Condiments	2018	45,183	2.8%
5	Anhui Weidongdong Food Technology Co., Ltd. 安徽省味咚咚食品科技有限公司	Food ingredients	2021	39,497	2.4%
Total				**253,921**	**15.9%**

For the year ended December 31, 2022

Rank	Supplier	Principal products procured	Year of commencement of business relationship	Purchase amounts	% of total purchases
				(RMB in thousands)	
1	Anhui Miao Zhi Fu Investment Co., Ltd 安徽苗知府投資股份有限公司	Food ingredients	2020	66,513	5.4%
2	Wuchang Qingxi Rice Industry Co., Ltd. 五常市慶喜米業有限公司	Food ingredients	2021	52,484	4.2%
3	Nanjing Pinjun Food Co., Ltd. 南京品浚喆食品有限公司	Food ingredients	2021	46,689	3.8%
4	Yihai Kerry Foodstuffs Marketing Co., Ltd. 益海嘉里食品營銷有限公司	Condiments	2018	42,474	3.4%
5	Anhui Weidongdong Food Technology Co., Ltd. 安徽省味咚咚食品科技有限公司	Food ingredients	2021	33,408	2.7%
Total				**241,568**	**19.5%**

For the year ended December 31, 2021

Rank	Supplier	Principal products procured	Year of commencement of business relationship	Purchase amounts	% of total purchases
				(RMB in thousands)	
1	Anhui Miao Zhi Fu Investment Co., Ltd. 安徽苗知府投資股份有限公司	Food ingredients	2020	62,383	7.8%
2	Wuchang Qingxi Rice Industry Co., Ltd. 五常市慶喜米業有限公司	Food ingredients	2021	39,658	5.0%
3	Yihai Kerry Foodstuffs Marketing Co., Ltd. 益海嘉里食品營銷有限公司	Condiments	2018	35,702	4.4%
4	Beihai Tianwei Aquatic Food Co., Ltd. 北海天威水產食品有限公司	Food ingredients	2021	32,851	4.1%
5	Nanjing Pinjun Food Co., Ltd. 南京品浚喆食品有限公司	Food ingredients	2021	28,910	3.6%
Total				**199,504**	**24.9%**

During the Track Record Period, certain suppliers were also our customers under our restaurant business and other businesses, and the revenue from each of those overlapping supplier-customers represented less than 0.01% of our total revenue in each year or period, respectively.

Anti-kickback Measures

An effective set of anti-kickback policies and procedures is critical to ensuring the integrity of our quality control and supply chain network while managing our costs. Our anti-kickback measures and initiatives include the following:

- *Zero tolerance.* All supply agreements contain provisions prohibiting bribery and kickbacks, and any breaches of them may lead to serious penalties on the suppliers in question and may result in the termination of their qualifications as our suppliers. We would immediately terminate the employment with any employee who is found to be involved in any bribery or kickback incidents.

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

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

Sources of Supply and Food Ingredient Shelf Lives

The sources of our key food ingredients, namely livestock and poultry products, aquatic products and vegetables, and their shelf lives are summarized as follows:

- *Livestock and poultry products*. We mainly source livestock and poultry products in China. The livestock and poultry products consist of refrigerated products and frozen products, with typical shelf lives of approximately five days and 12 to 24 months, respectively. The delivery and storage are under cold chain conditions. Upon delivery, our restaurant frontline staff request test reports for antibiotics, hormone residues and other chemical substances, and conduct quality inspection procedures including physical inspections of color, smell, packaging and indication of spoilage.

  Our restaurants have implemented stringent internal control measures to ensure the safety and compliance of its supply chain for livestock and poultry products. These measures include rigorous supplier vetting processes, where only those suppliers which meet our food safety standards are approved. Regular inspections are conducted to verify that livestock and poultry products suppliers adhere to relevant health and safety standards. Our restaurant frontline staff are trained with food safety protocols and model practices, and our restaurants maintain records of supply chain activities to ensure transparency and accountability. Through those diligent efforts, we strive to ensure that all livestock and poultry products served are safe, high-quality, and compliant with all applicable rules and regulations.

- *Aquatic products*. We mainly source aquatic products in China. Our aquatic products consist of refrigerated products and frozen products, with typical shelf lives of approximately one day and 12 to 24 months, respectively. The delivery and storage are under cold chain conditions. Upon delivery, our restaurant frontline staff request test reports for antibiotics and other chemical substances and conduct quality inspection procedures such as physical inspection on color, smell, packaging and indication of spoilage.

- *Vegetables*. To ensure quality and freshness, we mainly source vegetables in China, with typical shelf lives of approximately three days. Upon delivery, our restaurant frontline staff request test reports for pesticides and other chemical substances and conduct physical inspection to examine the freshness of the supplies.

Price Management and Price Sensitivity Analysis

We seek to negotiate favorable terms with our suppliers that reflect the latest market conditions and our own needs. We monitor price levels at a given time by considering our own projected needs and market trends and then generate a projected procurement price that we use as a benchmark when negotiating with suppliers. Leveraging our economies of scale, we are able to obtain favorable prices from suppliers and generally agree fixed prices with our suppliers for certain periods. If there are material fluctuations in the market, the prices may be adjusted with reference to the then market prices subject to both parties' agreement. For products with floating prices, we generally aim to have multiple suppliers, which encourages competition among the suppliers, leading to more favorable terms for us and more robust supply stability.

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

Hypothetical changes in the price of raw materials and consumables used in the eight months ended August 31, 2024	**12%**	**9%**	**6%**	**(6)%**	**(9)%**	**(12)%**
			(RMB in thousands)			
Raw materials and consumables	1,277,330	1,243,116	1,208,902	1,072,045	1,037,831	1,003,617
Changes in raw materials and consumables used	136,857	102,643	68,428	(68,428)	(102,643)	(136,857)
Changes in profit for the period	(102,643)	(76,982)	(51,321)	51,321	76,982	102,643

Hypothetical changes in the price of raw materials and consumables used in 2023	**12%**	**9%**	**6%**	**(6)%**	**(9)%**	**(12)%**
			(RMB in thousands)			
Raw materials and consumables	1,605,384	1,562,383	1,519,382	1,347,376	1,304,375	1,261,374
Changes in raw materials and consumables used	172,005	129,004	86,003	(86,003)	(129,004)	(172,005)
Changes in profit for the period	(129,004)	(96,753)	(64,502)	64,502	96,753	129,004

Hypothetical changes in the price of raw materials and consumables used in 2022	**12%**	**9%**	**6%**	**(6)%**	**(9)%**	**(12)%**
				(RMB in thousands)		
Raw materials and consumables	1,218,468	1,185,831	1,153,193	1,022,643	990,005	957,368
Changes in raw materials and consumables used	130,550	97,913	65,275	(65,275)	(97,913)	(130,550)
Changes in profit for the period	(97,913)	(73,434)	(48,956)	48,956	73,434	97,913

Hypothetical changes in the price of raw materials and consumables used in 2021	**12%**	**9%**	**6%**	**(6)%**	**(9)%**	**(12)%**
				(RMB in thousands)		
Raw materials and consumables	1,022,609	995,218	967,827	858,261	830,870	803,479
Changes in raw materials and consumables used	109,565	82,174	54,783	(54,783)	(82,174)	(109,565)
Changes in profit for the period	(82,174)	(61,630)	(41,087)	41,087	61,630	82,174

Our Central Kitchen and Warehouse Network

The network of our central kitchen and warehouses enables us to ensure supply stability at our restaurants by stocking products in reserve and centralizing the procurement process. Each of our restaurants is able to realize stock replenishment on a daily basis.

Our central kitchen

Our central kitchen performs the key functions of preparation of standard condiment packets, and cleaning and portioning of certain food ingredients. It develops and manufactures standard condiment packets for most our dishes to promote standardization of our food preparation procedures and enable us to maintain consistency in the taste and quality of our dishes. The process for preparing the standard condiment packets involves unpacking raw materials from large packages, boiling and dividing them using stainless steel tumblers and packaging the finished condiments with recyclable materials. Our central kitchen is also responsible for the cleaning and portioning of certain food ingredients, such as pork, beef and chicken. The process for preparing such food ingredients involves unpacking raw materials from large packages, thawing them on stainless steel racks, cutting them into standardized sizes and weights and packaging such finished food ingredients with recyclable materials. In terms of packaging materials for condiment packets and food ingredients, we typically use polyamide and polyethylene materials for inner bags and biodegradable cartons for outer boxes.

The table below sets forth the details of our designed production capacity, actual production volume and utilization rate of our central kitchen by product categories for the periods indicated:

	For the Year Ended December 31,									For the eight months ended August 31,					
	2021			2022			2023			2023			2024		
	Designed Production Capacity[(4)]	Actual Production Volume[(4)]	Utilization Rate[(4)]	Designed Production Capacity	Actual Production Volume	Utilization Rate	Designed Production Capacity	Actual Production Volume	Utilization Rate	Designed Production Capacity[(5)]	Actual Production Volume	Utilization Rate	Designed Production Capacity[(5)]	Actual Production Volume	Utilization Rate
	(thousand tons, except percentage)														
Standard condiment packets preparation	N/A	N/A	N/A	3.2	0.9	28.1%	3.2	2.2	68.8%	1.4	1.3	92.9%	2.5	2.3	92.0%
Food ingredients cleaning and portioning	N/A	N/A	N/A	6.6	1.8	27.3%	6.6	4.1	62.1%	2.7	2.9	107.4%	2.2[(6)]	2.1	95.5%
Total	**N/A**	**N/A**	**N/A**	**9.8**	**2.7**	**27.6%**	**9.8**	**6.3**	**64.3%**	**4.1**	**4.2**	**102.4%**	**4.7**	**4.4**	**93.6%**

Notes:

(1) The designed production capacity for the year/period is calculated based on the following assumptions: (i) all production lines are functioning at full capacity; and (ii) our central kitchen operates nine hours per day, 360 days per year.

(2) The actual production volume during the year/period is the total volume of the products produced during that year/period.

(3) The utilization rate during the year/period equals the actual production volume divided by the designed production capacity during the same year/period.

(4) Our central kitchen started trial production in December 2021, therefore the designed production capacity, actual production volume and utilization rate for 2021 are not meaningful.

(5) The designed production capacity in the eight months ended August 31, 2023 and 2024 equals to the designed production capacity of eight months of a full year.

(6) The designed production capacity for food ingredients cleaning and portioning decreased in the eight months ended August 31, 2024 as compared to the same period in 2023, primarily due to the closure of certain productions lines as we transitioned to procuring certain food ingredients from suppliers to improve efficiency and streamline operations.

Our central kitchen helps our restaurants to operate more efficiently by saving their time and efforts in labor-intensive works, such as food ingredients cleaning and portioning, and condiment packets preparation. As certain complex and time-consuming procedures are performed by our central kitchen, our restaurants require less labor and a smaller number of restaurant frontline staff, and can prepare dishes more quickly with the pre-cleaned and pre-portioned food ingredients.

Our warehouses

As of August 31, 2024, we had 14 warehouses providing services to our restaurants. In general, all of the food ingredients and standard condiment packets are delivered from our warehouses. Our warehouses have two major functions:

- *Distribution.* Our warehouses serve as the distribution centers for our restaurants. As of the Latest Practicable Date, all food ingredients and standard condiment packets are first routed through our warehouses from our central kitchen or directly from suppliers, before being delivered to restaurants. The other consumables used in our restaurants delivered by our warehouses include takeaway packing boxes, cleaning supplies, office supplies and uniforms.

- *Storage.* Our warehouses also serve as storage centers for our restaurants. We typically stock reserves of two days' worth of refrigerated food ingredients and four weeks' worth of frozen food ingredients to avoid supply storage. These reserve stocks are generally stored in our warehouses, and those of our restaurants equipped with storage facilities.

Logistics and Transport

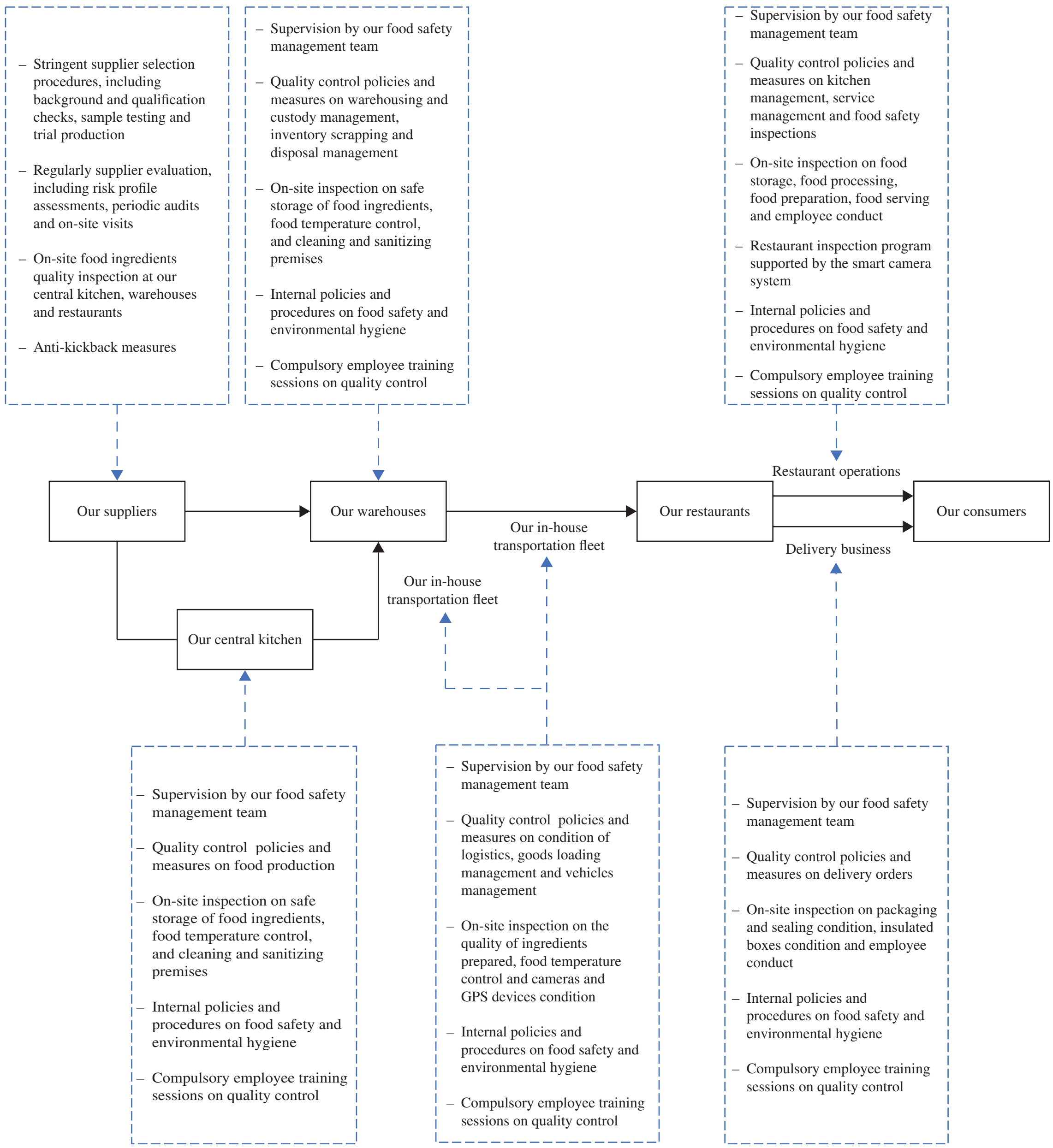
Generally, suppliers are responsible for the delivery of products to our central kitchen or to our warehouses. For deliveries from our central kitchen to warehouses, from warehouses to restaurants, as well as for a minority of products that we are required to collect from suppliers, we use our in-house transportation fleet to deliver products safely, efficiently and timely. As of December 31, 2021, 2022, 2023 and August 31, 2024, we had 90, 138, 203 and 228 vehicles and 107, 137, 249 and 253 drivers, respectively. In general, during the Track Record Period, we maintained an average transportation time of five to six hours for deliveries from our central kitchen to our warehouses, and 90 minutes to two hours for deliveries from our warehouses to our restaurants to ensure that products were delivered in a timely manner.

We impose strict guidelines on the safety of food ingredients during transit. In particular, we equip our in-house transportation fleet with refrigerated vehicles so that they can keep frozen and refrigerated food ingredients within appropriate temperature. We are able to monitor the whole delivery process on a real-time basis to make sure that all products delivered in compliance with our standards. All vehicle are equipped with cameras and GPS devices, so that we are able to supervise the operations of our transportation fleet.

FOOD SAFETY AND QUALITY CONTROL

We have implemented stringent quality assurance policies and procedures to maintain quality at every step of our supply chain network, from procurement to our central kitchen and warehouses, to restaurants and finally to our consumers.

The flowchart below sets forth the key quality control measures we have adopted in our business:



We have also adopted food safety standards, as well as training and evaluation procedures, for our staff at all levels. Our chairman leads a food safety management team of 12 members at our headquarters, who meet on a monthly basis to oversee our food safety practices and are responsible for food safety control in our operations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material food safety or quality issues.

Procurement and Supplier Quality Control

Before we engage a supplier, it must pass our stringent selection procedures, which include background and qualification checks, sample testing and trial production. In addition, we regularly evaluate our suppliers by conducting risk profile assessments and periodic announced and unannounced audits that typically involve on-site visits. If a supplier fails to meet our requirements and is unable to rectify faults, we may terminate our engagement with it. In addition, we inspect food ingredients that we receive from our suppliers at our central kitchen, warehouses and restaurants to ensure their quality. If the food ingredients fail to meet our requirements, we return them to the suppliers and may terminate the supply agreement in question if that supplier is not able to rectify the issue. Our stringent evaluation and management of our suppliers help us to ensure that the food ingredients we procure meet our quality control standards. For more information about how we manage our suppliers, see "– Supply Chain Management – Procurement and Supplier Management."

In terms of packaging materials, we select suppliers pursuant to our designated internal control measures, ensuring that all packaging materials adhere to our stringent safety standards and applicable rules and regulations. We also promote streamlined packaging design by reducing the number of layers and dimensions of packaging and implement our internal "Packaging Materials Policy," which regulates the selection and use of packaging materials, advocating for efficient and minimalistic packaging solutions.

Central Kitchen, Warehouses and Restaurant Quality Control

We have implemented internal policies and procedures about maintaining food safety and hygiene in the operation of our central kitchen, warehouses and restaurants, which our employees are required to follow. These policies and procedures cover, among others, personal hygiene, the inspection and safe storage of food ingredients, food temperature control, and cleaning and sanitizing premises. Our employees are required to complete compulsory training before commencing work in our central kitchen, warehouses or restaurants. They are also required to wear uniforms and maintain strict personal hygiene and tidiness. For details, see "– Supply Chain Management – Our Central Kitchen and Warehouse Network".

To prevent any food safety incidents in our restaurants, we have implemented the following internal control measures:

- Record and report any food safety incidents to the food safety management team for investigation and follow-up;
- Conduct remedial measures to address specific food safety incidents, including but not limited to:
  - with regards to the incidents concerning restaurant hygiene, conduct thorough cleaning of the affected restaurants, issue warnings to the employees involved and provide trainings to all employees to prevent similar incidents from happening again;
  - with regards to the incidents concerning improper handling of food ingredients, discard and replace the affected food ingredients, issue warnings to the employees involved and provide trainings to all employees to prevent similar incidents from happening again; and
  - with regards to the incidents concerning the use of food ingredients of a subpar standard, discard the affected food ingredients and replace with food ingredients which meet required standards;

- Make improvements to the overall food safety and quality control policies applicable to all restaurants in response to similar food safety incidents, including but not limited to:
    - update the internal control measures and procedures for the maintenance of good restaurant hygiene, proper handling of food ingredients and quality control of all restaurant supplies;
    - ensure that all employees have completed the relevant food safety training, and remind all restaurant frontline staff to strictly comply with our food safety related internal control measures and procedures especially in respect of personal hygiene, handling of food ingredients and cleaning and sanitizing premises;
    - review the procedures adopted in our restaurant inspection program and ensure all inspections are carried out effectively; and
    - invest in new information technologies to enhance our supervision over food safety and restaurant hygiene, including but not limited to the continuous upgrading of our smart camera system, see "– Our Information Technologies"; and
- Engage third-party consultants where necessary to further review and provide recommendations in respect of our remedial measures and internal control systems in response to any food safety incidents.

Logistics Quality Control

We use our in-house transportation fleet to deliver the majority of food ingredients and other consumables to our restaurants. In managing our transportation fleet, we have stringent internal policies and procedures to ensure that the products are delivered under suitable conditions. We believe that these policies and procedures help us to assure the food safety of the food ingredients delivered through our supply chain network. See "– Supply Chain Management – Our Central Kitchen and Warehouse Network – Logistics and Transport."

OUR CONSUMERS AND PRICING

Our Customers

Because of the broad appeal of our dining experiences, consumers may opt for our restaurants for a variety of occasions, from casual daily dining, gatherings with families and friends, special event celebrations and business meals.

As restaurant company, we have a large and fragmented customer base. We generally offer dishes directly to consumers through our self-operation restaurants. Given the business nature of our Company, our business did not experience any distinguishable seasonal fluctuations in each quarter during the Track Record Period. The revenue we derived from our five largest customers in each year or period during the Track Record Period accounted for less than 1.0% of our total revenue in the respective periods. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned, or to the knowledge of Directors had owned, more than 5% of our issued share capital) had any interest in any of our five largest customers in each year or period during the Track Record Period.

Consumer Feedback Management

We strive to achieve 100% consumer satisfaction. We deeply value our consumers' feedbacks, which we take into account to improve our performance. We encourage consumers to provide feedbacks to us through various channels, including our service hotline displayed in our restaurants, reviews on online food delivery platforms, and comments or private messages to our social media accounts.

We make it a priority to promptly respond to every single enquiry or complaint that we receive from our consumers. Our restaurant managers are responsible for promptly resolving any complaint regarding quality of dishes and services at the restaurant-level, and are authorized to take remedial actions. Our operating department primarily responds to consumer complaints that we receive through our service hotline and our social media accounts, and our restaurants primarily respond to consumer complaints that we receive through online food delivery platforms. When we receive a complaint, we will make a record of such complaint and send it to the person-in-charge for investigation and follow-up. To ensure that we provide adequate responses to any complaints, we have implemented internal guidelines which, depending on the level of seriousness and extent of a complaint, set out the corresponding procedures to handle such incidents. Such guidelines are aimed to enable our employees to identify and handle consumer complaints and report these incidents to the management where appropriate so that we are able to promptly respond to complaints that we receive from our consumers and take necessary remedial measures. We also ensure that our employees receive adequate training with respect to these guidelines.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material consumer complaints that had a material adverse impact on our business, results of operations or financial condition.

Pricing

We strive to provide our consumers with affordable dining experiences, contributing to the establishment and enhancement of our brand image among our consumers. Our menu provides consumers with a range of options across different prices, which is broad and inclusive to serve a wide range of consumers with different income levels.

We leverage our economies of scale, robust self-built supply chain network, procurement capabilities and efficient business model to offer our consumers affordable dining experiences. Pricing is set and updated periodically based on (i) the spending habits and power of our target consumers, (ii) prices of similar products charged by our competitors, (iii) expected market trends, (iv) the cost of food ingredients and other consumables, and (v) the operating expenses in different tiers of cities. We design and adjust our menu based on different tiers of cities to provide our dishes and services at appropriate prices to reach a broader base of consumers. We also adjust our pricing strategies, taking into account customer feedback, to align with their anticipated spendings with us, thereby ensuring their satisfaction and enhancing repurchase rate. We typically charge consumers the same price for the same dishes for our restaurant operation and delivery business. For more information about how we control costs and manage pricing, see "– Supply Chain Management – Procurement and Supplier Management – Price Management and Price Sensitivity Analysis."

COMPETITION

The Chinese cuisine market in China is highly competitive in terms of food quality and its consistency, price, ambience and service, access to the stable supply of high-quality food ingredients and availability of qualified employees. According to Frost & Sullivan, the market size of China's catering market measured by revenue showed a growing trend during the past five years from RMB4,271.6 billion in 2018 to RMB5,289.0 billion in 2023, representing a CAGR of approximately 4.4% from 2018 to 2023. It is expected to further reach RMB8,262.7 billion in 2028 at a CAGR of approximately 9.3% from 2023 to 2028.

We operate in the mass Chinese cuisine market adopting a self-operation model. Key entry barriers in the mass Chinese cuisine market include brand awareness, supply chain management, food safety compliance and innovation and technology investment. According to Frost & Sullivan, the mass Chinese cuisine market is the largest segment of China's Chinese cuisine market, accounting for approximately 88.7% of the market share in terms of revenue in 2023. According to Frost & Sullivan, in terms of the restaurant revenue for 2023, *Xiaocaiyuan* ranked first among all brands in China's mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100.

We believe that our ability to compete effectively depends upon many factors including our scalable and standardized business models, comprehensive supply chain capabilities, the ability to standardize our offerings and services, our brand awareness and food safety compliance. However, we cannot assure you that we will outperform the industry level in the mass Chinese cuisine market. We face increasingly intense competition in the Chinese cuisine market. See "Industry Overview" and "Risk Factors – Risks Relating to Our Business and Industry – Intense competition in China's catering industry could prevent us from increasing or sustaining our revenue and profitability."

OUR EMPLOYEES

As of August 31, 2024, we had 12,796 full-time employees. The table below sets forth our full-time employees by function as of August 31, 2024:

Function	**Number of Full-time Employees**
Restaurant	11,840
Management and administrative	348
Supply chain	608
Total	**12,796**

Recruitment, Retention and Remuneration

We recruit our employees from the open market, as well as through internal referrals. The restaurant manager and our human resources department are responsible for recruiting restaurant frontline staff of that particular restaurant. Our recruitment process usually includes interviews and an evaluation of a candidate's qualifications and experiences. We are committed to providing fair and equal opportunities in all of our employment practices and have adopted policies and procedures to ensure a fair hiring, selection and promotion process. See "– Environmental Sustainability and Social Responsibility."

As required by regulations of the PRC, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds. Except as otherwise disclosed below under "– Legal Proceedings and Compliance – Non-compliant Incidents – Non-compliance Related to Social Insurance and Housing Provident Funds", our PRC Legal Advisor is of the view that, during the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable PRC labor laws and regulations in all material respects. During the Track Record Period and up to the Latest Practicable Date, there were no material labor disputes or strikes that would have a material and adverse effect on our business, financial condition or results of operations.

Training and Evaluation

Our headquarters is responsible for overseeing the training of management and administrative employees and key restaurant employees, while the regional groups are responsible for the training of restaurant frontline staff. We conduct comprehensive online and offline training programs for all employees. We maintain training and performance assessment records for each of our employees to motivate their active participation in the training programs, which improve the standardization and efficiency of our daily operations throughout our Company. We believe that our training programs not only increase our employee retention rate, but also prepare the talent pool for our rapid expansion. For details, see "– Organizational Structure and Our People – Employee Promotion, Management and Training."

ENVIRONMENTAL SUSTAINABILITY AND SOCIAL RESPONSIBILITY

ESG Governance

We have formulated the ESG Management Method (《ESG 管理辦法》) which outlines the framework for managing ESG aspects within our Company. We are committed to effective management, encompassing reporting, evaluation, decision-making, and execution, of key ESG issues. These include conducting ESG materiality assessments, managing ESG-related data and information, formulating ESG-related policies, evaluating the implementation of these policies, and ensuring timely ESG-related disclosures.

We have established an ESG governance structure, which clearly defines the roles and responsibilities of the Board of Directors, the office of the Board of the Group, and the ESG working group. The Board of Directors is ultimately responsible for all ESG issues of our Company. The office of the Board is responsible for ESG management work, including discussions, assessments, and approvals related to significant ESG issues, work objectives, and external disclosures on the ESG initiatives.

The ESG working group conducts preliminary work on all major ESG issues, materiality assessments, data and information, policies, and annual disclosures of our Company. In addition, the ESG working group assists the coordination of ESG-related activities within our Company. This includes coordinating efforts among various functional departments, subsidiaries, and third-party consulting firms; collecting and analyzing data on emissions, resource usage, social aspects under clear reporting lines and formats (i.e. on ESG aspects, including employment, health and safety, labor standards, development and training, supply chain management, product responsibility, anti-corruption, community investment); addressing climate-related concerns; providing specific guidance for the implementation of ESG initiatives; organizing communication meetings; and conducting assessments of the execution of ESG initiatives. The ESG working group is mandated to organize quarterly communication meetings to report to our Company.

Board and Management Levels Diversity

We have adopted a Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of our Board. For more information about Board Diversity Policy, see "– Directors and Senior Management – Board Diversity." At present, our Board consists of two female Directors and nine male Directors, and female constitute 40% of our senior management. After Listing, we will periodically review the Board Diversity Policy to ensure its ongoing effectiveness.

Sustainable Development Policy

We believe that by practicing the principles of sustainable development, we can contribute to society and the environment, provide high-quality catering services to consumers, and create a good working environment for employees. We adhere to all applicable environmental regulations and legal requirements, striving to minimize our negative impact on the environment. We established a Sustainable Development Policy that commits to incorporating the principles of sustainability in our operations and provides guidance on practicing corporate social responsibility in our daily operations.

ESG Materiality Assessment

We have conducted a materiality assessment to better understand key stakeholders' needs and expectations. We have engaged an independent ESG consultant to assist our Company in conducting a materiality assessment in accordance with Appendix C2 of the Main Board Listing Rules of the Stock Exchange to collect, analyze and summarize stakeholders' concerns, in order to identify, assess and manage material ESG issues. We have developed and implemented a materiality assessment process as follows:

1. Identify potentially material issues that may have an impact on our Company's business or related parties considering our Company's business strategy, prevailing international standards such as the Sustainability Accounting Standards Board (SASB) standards and based on industry practice.

2. Invite key stakeholders (i.e. directors, senior management, employees, consumers, suppliers, business partners, shareholders, investors, etc.) to participate in a questionnaire survey to express their preference and concerns on ESG material issues.

3. Analysis of the questionnaires collected and prioritization of the material issues.

According to the results of the materiality assessment, the following issues in the aspects of environment, society, and governance have been confirmed as material issues for our Company:

ESG Materiality Issues

ESG Issues	Environmental	Social	Governance
1.	Environmental Protection	Food Quality and Safety	Anti-corruption
2.	Food Waste Management	Occupational Health and Safety	Risk Management
3.	Packaging Material Usage	Employee Rights Protection	Corporate Governance

Environmental

Environmental Protection: We maintain a strong commitment to strict adherence to all relevant environmental laws and regulations. To ensure compliance, we have established an Environmental Protection Management System within our restaurants and offices.

Food Waste Management: Food production and societal consumption patterns exert pressure on natural resources and the environment. We emphasize reducing food waste and incorporate it into our operations. We are committed to efficient utilization of natural resources, minimizing environmental impact and reducing food waste.

Packaging Material Usage: Packaging management plays a critical role in our operations. It ensures product quality and safety.

Social

Food Quality and Safety: We face the risk of food safety incidents, such as contamination and food-borne illnesses, which could result in administrative or criminal penalties and have an adverse impact on our reputation. Therefore, we are committed to continuously improving our food safety guidelines, policies, standards, and procedures, conducting inspections and audits, and providing training on proper food safety practices. We have established a comprehensive food safety management system that encompasses specialized safety management protocols for various aspects, including the Restaurant Food Safety Management System (《餐廳食品安全管理制度》), which focuses on hygiene in restaurants, the Culinary Processing Management System (《烹調加工管理制度》), which provides guidance on catering and food processing, as well as the Food Equipment and Facility Management System (《食品用設備設施管理制度》) and Food Safety Accident Prevention System (《預防食品安全事故制度》). With regard to the existing food safety management system, no significant internal control deficiencies were identified by our internal control consultant during the review. See "– Food Safety Management."

Occupational Health and Safety: Ensuring occupational health and safety is one of our priority issues, aiming to protect employees from accidents, injuries, and hazardous substances. We have a responsibility to provide adequate training, safety equipment, and other necessary resources to ensure that employees can work in a safe environment.

Employee Rights Protection: We highly value the protection of employee rights and ensure fair treatment and respect for every employee in the workplace. We provide competitive compensation and benefits, and support training and career development. We strive to create a positive work environment and opportunities for employees.

Governance

Anti-Corruption: We attach great importance to anti-corruption efforts and firmly combat corrupt practices. Through establishing robust anti-corruption mechanisms, strengthening supervision and auditing, we are committed to maintaining a fair and clean working environment. Insufficient anti-corruption measures can lead to abuse of power, corruption, and damage to organizational reputation and trust.

Risk Management: We place a high emphasis on risk management to ensure effective response to various potential risks. By establishing a comprehensive risk management framework and processes, we strive to identify, assess, and address risks that could cause losses or adverse impacts on our Company in advance.

Corporate Governance: We highly value corporate governance and ensure the establishment of effective governance mechanisms. Through sound corporate bylaws, clear roles and responsibilities, we are committed to establishing transparent and fair decision-making and operational systems.

After Listing, we will continuously improve on our measures through collaboration with professional ESG consultants. Our Company will conduct regular reviews of these material issues and update their effectiveness based on the constantly changing business environment and our Company's business strategy.

Emissions and Resource Utilization

In our dedicated efforts to uphold principles of green development, we are focused on creating a resource-efficient and environmentally friendly enterprise and minimizing our environmental impact while fostering economic and social development. We strictly comply with environmental protection laws and regulations in the PRC, including the Environmental Protection Law, the Environmental Impact Assessment Law and Water Pollution Prevention and Control Law.

To achieve green operations, we have established an Environmental Protection Management System (《環境保護管理制度》) within our restaurants and offices. This system is designed to effectively manage our energy consumption, waste management practices, water usage throughout our operations. Our approach is to prioritize protection, emphasize prevention, implement comprehensive planning, ensure rational layout, reduce pollution, and promote clean production.

Energy and Emissions Management We have implemented a series of energy-saving and emission-reducing measures in vehicle management, electricity management, and gas management to reduce energy consumption. Our efforts include:

- Turning off the lights and cutting off the power supply to equipment when employee leave the office.
- Limiting the temperature range or setting standard office temperatures when using air conditioning systems.
- Reducing the use of lighting equipment and making full use of natural light during office hours.

- Responsibly adjusting electricity and gas consumption based on weather conditions.

- Using efficient and energy-saving gas equipment and energy-saving gas supply products.

- Regular maintenance and cleaning of gas appliances to ensure optimal performance and improve thermal efficiency.

- Strengthening gas safety management, conducting regular inspections of gas equipment and gas supply products to prevent unauthorized usage, thus avoiding wastage.

- Implementing vehicle fuel management methods and advocating low-energy consumption driving practices.

Water Management To enhance water efficiency, we have implemented water conservation measures. Our efforts include:

- Displaying water-saving signs in common water usage areas such as restaurants and restrooms.

- Controlling water consumption and ensuring that taps are properly closed.

- Using water-saving fixtures and planning to apply the water-saving facilities in restaurant furnishings.

- Strengthening daily maintenance and management of water equipment to prevent leaks and unnecessary water flow.

- Adopting measures such as separate collection of wastewater for treatment, and closed-loop circulation systems.

- Eliminating outdated production processes and equipment that cause severe water pollution.

Waste Management We are committed to reducing waste, improving resource efficiency, and protecting the environment. Our internal policy, the "Anti-Food Waste Policy," includes measures such as minimizing waste during cooking and dining, providing smaller portion options, educating employees on the importance of reducing waste, and monitoring and improving waste disposal practices. Through these actions, we strive to promote sustainability and responsible consumption. Our efforts include:

- Engaging qualified parties for the collection and transportation of waste cooking oil. It is strictly prohibited to use waste cooking oil as raw material for food processing or to mix it with kitchen waste.

- Implementing harmless disposal, regularly cleaning and storing construction waste and household garbage in designated areas according to their location and in compliance with safety and environmental protection disposal technical requirements.
- Engaging qualified parties for the collection and transportation of food waste. Our staff disposed food waste into designated food waste containers for qualified parties to collect.

Packaging materials Our efforts include:

- Promoting streamlined packaging design and reducing the number of layers and dimensions of packaging.
- Implementing our internal "Packaging Materials Policy", which regulates the selection and use of packaging materials and advocates for streamlined packaging design, avoiding excessive use of packaging materials.
- Offering the options to choose "Whether or not to include utensils" and "Bring Your Own Container" for takeaway customers.
- We utilize polyamide and polyethylene materials for condiment packets, which are recyclable and adhere to national packaging standards, ensuring they are free of harmful substances such as benzene and meet environmental requirements. Additionally, our choice of biodegradable cartons for outer boxes further supports environmentally friendly waste management.

Climate-related Risks

We have identified and assessed climate-related risks in our operations, including physical risks and transition risks.

Climate Risks	Risk Description	Potential Impact	Corresponding Response Measures
Physical risk	Extreme weather (including floods, heatwaves, and cyclones)	Extreme weather has certain impact on customer flow, delivery services, and food supply at local stores, but the overall impact on the group's operations is minor	We formulated the Emergency Preparedness and Response Control Plan (《突發事件準備和響應控制方案》) outlining preventive measures and response actions for the occurrence of extreme weather. We will pay close attention to weather forecasts, our operations center, and promptly communicate with relevant departments to carry out prevention measures.

Climate Risks	Risk Description	Potential Impact	Corresponding Response Measures
Transition risk	Policy and Legal Risk – Increased carbon emission disclosure requirements	Increased compliance costs	Regularly monitor existing and emerging trends and policies related to climate. Meet regularly with ESG consultant about the latest ESG updates in order to take appropriate measures.
	Market Risk – Increased energy costs	Increased energy costs are impacting our Company's income	We will establish an energy management group to manage carbon emission management, promote green commuting among employees, and encourage online meetings instead of unnecessary business travel to reduce carbon emissions. We encourage employees to practise energy conservation and environmental protection. The restaurant implements environmental measures to reduce electricity and water consumption caused by business operations.
	Reputation Risk – Stakeholders' concerns about the group's response to sustainability	Stakeholders' expectations for sustainable development achievements are increasing. This could result in reputational and/or financial losses	We will enhance corporate management, continue to provide consumers with healthy and delicious dishes. This will further gain consumers' favor and increase positive feedback.

We collected environmental data to calculate the greenhouse gas emission data.

	For the year ended December 31, 2021	For the year ended December 31, 2022	For the year ended December 31, 2023	For the eight months ended August 31, 2024
Greenhouse gas (GHG) emission				
Scope 1 (direct emission) (tCO_2e)	17,776.96	27,635.98	38,661.96	29,345.10
Scope 2 (indirect emission) (tCO_2e)	22,728.23	31,350.50	40,624.51	36,159.96
Total GHG emission (Scope 1 + 2) (tCO_2e)	40,505.19	58,986.48	79,286.47	65,505.06
Intensity (tCO_2e/million RMB revenue)	15.31	18.36	17.43	18.48
Resource Consumption				
Electricity (kWh)	39,119,160.43	53,959,551.26	71,233,572.87	63,405,146.69
Intensity (kWh/million RMB revenue)	14,785.38	16,792.04	15,657.80	17,890.85
Water (tons)	1,223,406.01	1,413,833.06	1,735,689.99	1,427,950.17
Intensity (tons of water/million RMB revenue)	462.40	439.98	381.52	402.92
Natural gas (m^3)	8,167,007.51	12,696,391.10	17,761,893.77	13,481,590.57
Intensity (m^3 of natural gas/million RMB revenue)	3,086.78	3,951.08	3,904.23	3,804.06

In terms of the Group's 2023 ESG performance and metrics compared to its peers, the average intensities of GHG emissions, water usage, and electricity among our peers are 22.88 tCO_2e/million RMB revenue, 471.07 tons of water/million RMB revenue, and 35,682.77 kWh/million RMB revenue, respectively. These values are all relatively higher than those of our Group. However, when it comes to natural gas usage, which is widely considered as a clean fuel, our peers exhibit a lower intensity of 690.04 m^3/million RMB revenue compared to us. The higher usage of natural gas primarily relates to the Group's food preparation methods, with our overall GHG emissions remain relatively lower compared to other peers.

Environmental Targets

Energy Use	By 2028, we intend to reduce the energy intensity by 2% compared to the 2023 baseline. The energy intensity will decrease by 5% in 2033 compared to the 2023 baseline.
Water Use	By 2028, we intend to reduce the water intensity by 1% compared to the 2023 baseline. The water intensity will decrease by 2% in 2033 compared to the 2023 baseline.

In order to achieve those targets, we implement the below measures.

- We will establish an energy management group to optimize energy usage, improve carbon emission management level, encourage employees to choose green transportation, advocate online meetings instead of business travel for meetings to reduce unnecessary carbon emissions, and encourage employees to save energy and protect the environment. Our restaurant will implement energy saving measures to reduce electricity consumption by operation. We will use innovative technologies such as AI to monitor restaurant operations and reduce the need for physical inspections by promoting low-carbon and environmentally friendly online monitoring.

- In order to achieve the water use target, we cultivate environmental awareness by posting water-saving signs in washrooms. We promptly repair any dripping faucets. We are going to promote water saving faucets in the restaurants and include water saving volume as part of the assessment criteria for excellent restaurants.

Human Resources

We adhere to the principles of equal opportunity, fairness, and open recruitment when recruiting qualified and suitable talents, and hire talents based on their experience, skills and working attitude, without regard to their background, religion, age, gender, disability, sexual orientation, citizenship, or marital status, to prevent any form of unfair discrimination. We are actively working towards fostering an inclusive and fair work environment that fosters diversity within our workforce. Our employee handbook explicitly describes the implementation practice for employee compensation and dismissal, recruitment and promotion, working hours, vacation, communication and whistleblowing channels, and rewards and punishments for employee performance.

To define management requirements and procedures for the introduction, development, cultivation, training, assessment, motivation, and exit of human resources, we formulated a Human Resources Management System (《人力資源管理制度》) in accordance with PRC Labor Law, PRC Labor Contract Law and Company Law, and other laws and regulations. For details, see "– Our Employees – Training and Evaluation".

Occupational Health and Safety

To prevent and control potential quality and food safety accidents and emergencies, and to make emergency preparations and responses, ensure personal safety and minimize any possible impact on quality, food safety, and property loss, we have established a series of safety guidelines and procedures, which cover various emergency measures and preventive procedures related to occupational health, fire safety, and production safety. Such guidelines and procedures will ensure that employees comply with PRC laws and regulations concerning occupational health and workplace safety, such as Food Safety Law, Administrative Measures for Food Distribution Licensing (《食品經營許可管理辦法》), Provisions on the Supervision and Administration of the Implementation of Main Responsibility for Food Safety by Enterprises (《企業落實食品安全主體責任監督管理規定》) and Administrative Measures for the Supervisory Inspection of Food Production and Trade (《食品生產經營監督檢查管理辦法》), as well as safeguard employees' occupational health and safety during the production process.

We have implemented various measures to further protect employees from occupational diseases and work-related injuries. In our Checklist for Basic Management Hazard Inspection (《基礎管理類隱患排查清單》), there is a requirement to establish safety facilities and occupational disease prevention facilities in construction projects and to conduct regular testing and evaluation to identify and declare occupational disease risk factors. We are committed to protecting the safety of employees, preventing occupational hazards, and providing occupational injury insurance in employment contracts. Employees are required to undergo a check-up and obtain a health certificate before starting to work. Additionally, restaurant frontline staff are required to undergo annual check-ups and, if necessary, ad-hoc check-ups. Food safety administrators and department managers need to be aware of employees' health conditions and regularly check their health certificates.

In terms of fire safety, regular fire training and fire drills are conducted. Fire extinguishers are placed in visible and easily accessible locations to facilitate safe evacuation. Fire protection equipment is regularly inspected to ensure proper functioning, and strict adherence to safety operating procedures is enforced.

Daily inspections of production equipment are compulsory to check for any abnormal conditions, and flammable and explosive hazardous materials used in the restaurants should be stored separately and supervised by designated personnel.

Food Safety Management

Under the leadership of our chairman, our dedicated food safety management team, comprising 12 members at our headquarters, conducts regular monthly meetings to oversee food safety practices. We have implemented a series of quality assurance policies and procedures to maintain the food quality at every step of our supply chain network, see "– Food Safety and Quality Control." We have also established internal control mechanisms including a Food Safety Incident Management System and a detailed Food Safety Emergency Response Plan to prevent and address the risk of food safety incidents promptly and effectively. These measures mainly include:

1. We are committed to continuously enhancing our food safety incidents reporting mechanism, promptly reporting any potential food safety incidents to the management team for investigation.

2. We are committed to continuously providing training staff on proper food handling so as to prevent any potential food safety incidents, and we would take corrective actions, including conducting thorough cleaning post-hygiene incidents, issuing warnings, and replacing non-compliant ingredients.

3. We are committed to continuously implementing and improving overall food safety and quality control policies by updating internal control measures, such as ensuring the completion of relevant training by staff, adhering strictly to safety protocols, reviewing and improving inspection procedures, and investing in advanced technologies such as upgrading the smart camera system for enhanced supervision, so as to achieve a overall effective internal control system.

4. We have engaged an internal control consultant to supervise our overall systems and measures across various domains, and to provide reviews and recommendations on our remedial measures and internal control systems in response to food safety incidents.

To safeguard the integrity and quality of our supply chain, we have established a Food Safety Inspection Management System, which mandates bi-weekly inspections at all restaurants, as well as regular on-site inspections at our central kitchens and warehouses. These inspections cover critical aspects such as ingredient storage, temperature control, cleanliness, food handling practices, and staff conduct to guarantee adherence to our food safety standards. Issues identified during the inspections are reported and followed up until rectified. With regard to the existing policies and measures on food safety, no significant internal control deficiencies were identified by our internal control consultant during the review.

Through the above measures, we have observed a decrease in penalties related to food safety. The number of reported penalties related to food safety in our restaurants decreased from 17 in 2022 to 12 in 2023, and further decreased to five during the period from January 1, 2024 to the Latest Practicable Date. Consequently, our Directors believe that our existing policies and measures in relation to food safety are effective.

Our quality management system for our services has been certified to be in conformity with the international ISO 9001:2015 standard, while our food safety management system for seasonings and frozen-prepared food production has been certified to be in conformity with the ISO 22000:2018 and Hazard Analysis and Critical Control Points (HACCP) standards. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material food safety or quality issues.

Supply Chain Management

We have formulated the Suppliers Management System (《供應商管理制度》) to manage the introduction, on-site inspection, and performance assessment process of suppliers. We will collect all the required documents, such as business licenses and food hygiene licenses from various supplier candidates and assess their documents. Candidates should possess a good quality control system, have no record of law violations. We will conduct on-site inspections if necessary. According to the inspection results, qualified suppliers can be included in the supplier directory, unqualified suppliers will be rectified or eliminated, we will also carry out further quality check testing as necessary.

Charity Activities

We have established the "Xiao Cai Yuan Assistance Fund" (小菜園助困基金) to provide financial aid to academically excellent students from financially disadvantaged families who are currently studying in the No. 1 High School of Tongling and Tongling No. 3 High School. We encourage our fellow students to remember compassion, aspire to lofty goals, study diligently, and repay society in their own ways. The "Xiao Cai Yuan Assistance Fund" is specifically dedicated to rural revitalization and supporting various vulnerable groups in our city. We strive to create a harmonious and virtuous social atmosphere, pooling the collective strength of the entire society to jointly promote the development of charitable causes.

INTELLECTUAL PROPERTY

The intellectual property we depend on includes trademarks, trademark applications, domain name registration, copyright registrations, patents and patent applications related to our brands and services, trade secrets and other intellectual property rights and licenses. As of the Latest Practicable Date, we maintained 343 trademarks, seven patents, 27 domain names and six copyrights in China and maintained 14 registered trademarks in other jurisdictions.

We seek to protect our intellectual property assets and brands through a combination of trademark, domain name, copyright, patent and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and other measures.

Despite our precautions, however, third parties may obtain and use intellectual property that we own or license without our consent. In the past, we found that certain third parties used or imitated our trademarks or trade name without our authorization to operate restaurants, and during the Track Record Period, we have brought 58 proceedings in relation to these infringing actions, and we were able to secure favourable outcomes in most of the relevant proceedings. We do not believe that these infringing actions had any material and adverse effect on our reputation, prospects, business, results of operations and financial condition on the basis that (i) the number of infringements of trademarks encountered by us involving litigations during the Track Record Period was not substantial, (ii) the results of the proceedings were generally awarded in favor of us, and amounts awarded to us to compensate for our damages per proceeding generally ranged from RMB3,000 to RMB30,000, with one exceptional case where we were awarded RMB2 million, and (iii) we believe that the actual and/or possible losses resulting from those infringements of trademarks were immaterial considering our business scale. It is our utmost priority to protect our intellectual property rights. We are fully committed to taking appropriate actions to investigate and pursue legal recourse against the entities or individuals responsible for such infringements. However, there can be no assurance that significant incidents of a similar nature will not occur in the future. See "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business and operation."

We have also formulated various internal control systems such as the Intangible Asset Management System (《無形資產管理制度》) and the Case Management System (《案件管理制度》) to prevent infringement of our intellectual property. As stipulated by these systems, our legal department maintains a Trademark and Patent Register (《商標專利台賬》) for all our current trademarks and patents, in which details of these trademarks and patents are recorded and updated on a timely basis. For intellectual property rights that have been already registered, our legal specialist and an external third-party patent agency would jointly monitor and supervise any potential infringement actions. In the case of an infringement, our legal department would work together with external lawyers to handle the dispute, and usually bring an action to court or taking other measures in accordance with Case Management System.

PROPERTY

As of the Latest Practicable Date, we operated our business through 17 owned properties and 2,316 leased properties in China, which are primarily premises for our restaurants, central kitchen, warehouses, offices and employee dormitories. As of August 31, 2024, we did not have any single property with a book value accounting for 15% or more of our total assets. Therefore, pursuant to Section 6(2) of the Companies Ordinance Notice (Exemption of Companies and Prospectuses from Compliance with Provisions), this prospectus is exempted from compliance with the requirements of Section 342(1)(b) of the Companies Ordinance (Winding Up and Miscellaneous Provisions) in relation to the Third Schedule, which requires a valuation report with respect to all of our Group's interests in land or properties.

The following table sets forth the details of the major properties owned or leased by us, including the function, gross floor area and location of the properties, as of the Latest Practicable Date:

Function	Owned/ Leased	Number of properties	GFA	Locations
Central kitchen	Owned	11	11.7 – 4,665.8	Anhui
Warehouses	Leased	14	214.0 – 4,041.0	Jiangsu, Anhui, Shanghai, Hubei, Zhejiang, Hebei
Restaurants	Owned	2	518.1 – 758.5	Anhui
	Leased	680	109.6 – 2,050.0	Beijing, Tianjin, Hebei, Shandong, Henan, Jiangsu, Anhui, Hubei, Shanghai, Zhejiang, Jiangxi, Guangdong, Shaanxi, Hunan

Owned Properties

As of the Latest Practicable Date, we owned 17 properties with a total GFA of approximately 21,386.0 sq.m. in China, which are used as central kitchen, warehouses, offices and restaurant sites. We have obtained the relevant land use right certificates and ownership certificates for all of our owned properties.

Leased Properties

As of the Latest Practicable Date, we leased 2,316 properties with a total GFA of approximately 414,422.9 sq.m. in China, which are used as restaurant sites, warehouses, offices and employee dormitories.

The following table sets forth a breakdown of the number of leases by remaining term as of the Latest Practicable Date:

Remaining term	Number of leases
Less than one year	1,677
One to two years	116
Two to five years	381
More than five years	142

INSURANCE

In China, we currently maintain (i) employer liability insurance, (ii) public liability insurance, (iii) property all risks insurance, (iv) motor insurance, and (v) driver and passenger accident insurance. We consider our insurance coverage to be adequate as all the mandatory insurance policies required by laws and regulations in the PRC are in place and in line with the commercial practice of our industry in China. During the Track Record Period and up to the Latest Practicable Date, we did not make any material insurance claims in relation to our business. However, our insurance coverage may not be adequate to cover all losses that may occur. See "Risk Factors – Risks Relating to Our Business and Industry – Our insurance policies may not provide adequate coverage for all claims associated with our business operations."

AWARDS AND RECOGNITION

As a testament to the popular appeal of our brands and the quality of the dining experiences with us, we have received various awards and recognitions. The table below sets forth our major awards and recognitions received during the Track Record Period.

Year	Awards and Recognitions	Issuing Authority
2024	Brands Listed on Meituan's Must-Order List of the Year (2024年美團必點榜上榜品牌)	Meituan & Meituan Waimai
2024	2024 Consumer Sector Impact Franchise Award in the 2024 Forbes China Consumer Sector Annual Selection (福布斯中國2024大消費年度影響力連鎖品牌)	Forbes China (福布斯中國集團)
2024	Outstanding Contribution to the Governing Body (第六屆突出貢獻理事單位)	China Hospitality Association (中國飯店協會)

Year	Awards and Recognitions	Issuing Authority
2023	Charity Stars of Yangtze River Delta (第二屆"長三角慈善之星")	Shanghai Charity Foundation, Jiangsu Charity Federation, Zhejiang Provincial Charity Federation, Anhui Charity Federation (上海市慈善基金會、江蘇省慈善總會、浙江省慈善聯合總會、安徽省慈善總會)
2023	Red Eagle Award for Top 100 Restaurant Brands of the Year (紅鷹獎"2023年度餐飲品牌力百強")	Organizing Committee of the Chinese Restaurant Brands Festival & The Fifth Chinese Restaurants Red Eagle Award Review Committee
2023	Brands Listed on Meituan's Must-Order List of the Year (2023年美團必點榜上榜品牌)	Meituan & Meituan Waimai
2023	Outstanding Enterprise Award for Consumer Rights Protection (保護消費者權益優秀企業獎)	China Food Enterprise Social Responsibility Annual Conference (中國食品企業社會責任年會)
2022	Exemplary Brands for Digital Operations of the Year (2022年數字經營典範品牌)	Meituan & Dianping.com
2022	Most Influential Brand of the Year (年度最具影響力品牌獎)	Meituan & Meituan Waimai
2021	2021-2022 Restaurant Growth Top Three (2021-2022門店增長前三)	canyandata.com & Tomato Capita (窄門餐眼/番茄資本)
2021	China's No.1 Brand in Restaurant Growth (中國餐飲門店增長第一品牌) and China's No. 1 Brand in Restaurant Scale (中國餐飲門店規模第一品牌)	The Fourth Catering Brand and Supply Chain Investment and Financing Conference (第四屆餐飲品牌與供應鏈投融資大會)
2021	Hurun China Catering Chain Enterprise Investment Value Top 50 of the Year (2021胡潤中國餐飲連鎖企業投資價值榜前五十)	Hurun China Rich List (胡潤百富)

LICENSES AND REGULATORY APPROVALS

In accordance with the laws and regulations in the PRC, we are required to obtain various licenses and regulatory approvals to operate our business, such as the Food Business License (《食品經營許可證》), Food Production License (《食品生產許可證》) and the Certificate or Opinion for the Fire Safety Inspection of Public Gathering Places before the Use or Commencement of the Business Operations, if required by local authorities (《公眾聚集場所投入使用、營業前消防安全檢查合格證/意見書》, the "**Fire Safety Inspection Approval**"). Please refer to the section entitled "Regulatory Overview" in this prospectus for details about the regulations that apply to us.

The following table sets forth a summary of our material licenses, permits, approvals and certificates as of the Latest Practicable Date:

Licenses, permits, approvals and certificates	Number of Licenses	Validity Period (since issuance)
Food Operation License	669	Five years
Food Production License	1	Five years
Fire Safety Inspection Approval	522	Not applicable
Record-filing for Single-use Commercial Prepaid Card (單用途商業預付卡備案)	1	Not applicable
Road Transportation Operation Permit (道路運輸經營許可證)	13	Three to four years (subject to decisions of the issuing authority)

As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we had obtained all licenses, permits, approvals and certificates necessary for our business operations in all material respects from the relevant government authorities in the PRC, and such licenses, permits, approvals and certificates remained in full effect.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we may become a party to various legal or administrative proceedings arising in the ordinary course of our business, including actions with respect to intellectual property infringement actions by third parties and labor and employment claims. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any legal, arbitral or administrative proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material and adverse effect on our business, financial condition or results of operations.

Compliance

We are subject to various regulatory requirements and guidelines issued by the regulatory authorities in China. During the Track Record Period and up to the Latest Practicable Date, we did not experience any non-compliant incidents which, individually or in aggregate, have had or will have a material and adverse effect on our business, financial condition or results of operations.

Non-compliant Incidents

We had certain non-compliant incidents during the Track Record Period and up to the Latest Practicable Date as described in more detail below, which we do not believe these non-compliant incidents have had, or will, individually or in aggregate, have a material adverse impact on our business operations or financial results. We are committed to complying with the relevant PRC rules and regulations in our daily operations in the future.

Non-compliance Related to Social Insurance and Housing Provident Funds

Background and Reasons for Non-compliance

During the Track Record Period, we did not make full social insurance and housing provident fund contributions in accordance with the relevant PRC laws and regulations for certain employees. We did not make full social insurance contributions for 68.2%, 68.0%, 71.5% and 73.8% of our full-time employees, and did not make full housing provident fund contributions for 96.7%, 96.8%, 85.6% and 86.1% of our full-time employees as of December 31, 2021, 2022, 2023 and August 31, 2024, respectively.

Our non-compliance was primarily because (i) similar to many other enterprises in the catering industry in China, we hire an extensive team of employees with high turnover rate; (ii) certain employees were unwilling to pay the social insurance and housing provident fund contributions in full as it requires additional contributions from the employees; and (iii) certain employees prefer participation in the rural social security contribution plans in their residential places or their hometowns. We have voluntarily provided employee welfare to the relevant employees for the purpose of employee care since they may not have be able to benefit from the social insurance and housing provident fund contributions in the future. Our PRC Legal Advisor has advised us that our employee welfare payment to the relevant employees is legitimate and does not violate the relevant PRC laws and regulations related to labor, social insurance and housing provident funds. According to Frost & Sullivan, it is common that employees living in rural areas are reluctant to make payment of social insurance and housing provident fund contributions, and though such non-compliance in relation to social insurance and housing provident fund contributions is common in China's catering industry, in general, employees in the industry do not receive any form of compensation from their employers for not participating in the social insurance and housing provident fund contributions. We have actively encouraged our employees to participate in social insurance and housing provident fund contributions by clearly stating our proposition that such contributions shall be made in full in accordance with the PRC law and regulations during the recruitment process and introducing the benefits of participating the social insurance and housing provident fund contributions in full to the new joiners during onboarding training sessions. According to the Social Insurance Law of the PRC and the Regulation on the Administration of Housing Provident Fund, social insurance and housing provident fund are divided into the employer's part and the employee's part. Full payment of social insurance and housing provident fund requires contributions from both employer and employees and this leads to reduction in employee's disposable income. Therefore, although we will continue to try to persuade our employees to cooperate with full payment in the future, we may also find it difficult to complete the rectification before Listing. We estimate that the aggregate shortfall of social insurance payments and housing provident fund contributions in 2021, 2022, 2023 and the eight months ended August 31, 2024 amounted to approximately RMB19.3 million, RMB24.1 million, RMB28.4 million, and RMB19.1 million, respectively, representing approximately 8.5%, 10.1%, 5.3%, and 4.8% of our net profit in 2021, 2022, 2023 and the eight months ended August 31, 2024, respectively.

Legal Consequences

Our PRC Legal Advisor has advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue fine. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the amount of the outstanding social insurance contributions. In view of the above and based on the estimation of our Directors, the amount of maximum potential penalty due to shortfall of social insurance payments during the Track Record Period would be approximately RMB29.4 million, RMB39.3 million, RMB42.2 million and RMB30.0 million, respectively, representing approximately 12.9%, 16.5%, 7.9% and 7.5% of our net profit in 2021, 2022, 2023 and the eight months ended August 31, 2024, respectively.

Our PRC Legal Advisor has further advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. In view of the above and based on the estimation of our Directors, in the case that if the relevant authority makes an application to relevant courts for enforcement, the amount of maximum potential enforcement due to shortfall of housing provident fund contributions during the Track Record Period would be approximately RMB9.5 million, RMB11.0 million, RMB14.3 million and RMB9.10 million, respectively, representing approximately 4.2%, 4.6%, 2.7% and 2.3% of our net profit in 2021, 2022, 2023 and the eight months ended August 31, 2024, respectively.

During the Track Record Period and up to the Latest Practicable Date, no material administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor had we received any order or been informed to settle the under-contributions.

We have obtained the written confirmations from the local authorities in charge of social insurance and housing provident funds, which sets out that no administrative penalties had been imposed on our Company in connection with the non-compliant incidents of social insurance and housing provident funds during the Track Record Period. As advised by our PRC Legal Advisor, these local authorities are competent authorities to provide their respective confirmations as aforementioned.

On 18 December 2023, we conducted on-site interviews with Tongling Social Insurance Business Management Service Centre (銅陵市社會保險事業管理服務中心) and Tongling Housing Provident Fund Management Centre (銅陵市住房公積金管理中心). On 7 June 2024, we conducted on-site interviews with Labor Protection Supervision Inspection Team of Nanjing Gulou District (南京市鼓樓區勞動保障監察大隊). On 14 June 2024, we conducted on-site interviews with Nanjing Housing Provident Fund Management Centre Jiangning Sub-centre (南京市住房公積金管理中心江寧分中心). The aforementioned government authorities, which are the respective competent authorities of our PRC subsidiaries, further confirmed that, generally, the relevant authorities would not proactively review social insurance and housing fund contributions of our businesses and then directly impose administrative penalties on businesses for their non-compliance to provide full social insurance and housing provident fund contribution.

As advised by our PRC Legal Advisor, Tongling Social Insurance Business Management Service Centre, Tongling Housing Provident Fund Management Centre, the Labor Protection Supervision Inspection Team of Nanjing Gulou District and Nanjing Housing Provident Fund Management Centre Jiangning Sub-centre are the competent authorities in charge of the social insurance and housing provident funds respectively in Tongling and Nanjing or Nanjing Gulou District (where applicable), where our operating entities are located and have registered and opened the relevant social insurance or housing provident fund accounts, given that: (i) according to the Social Insurance Law of the PRC (中華人民共和國社會保險法), the Regulations Concerning the Administration of Housing Fund (住房公積金管理條例) and the Regulation on Labor Security Supervision (勞動保障監察條例), the Human Resources and Social Security Bureau and Housing Provident Fund Management Centre shall be responsible for the supervision, administration and enforcement of any violation of the provisions relating to the payment of social insurance and housing provident funds contributions; and the labor security authority shall conduct labor security supervision over issues including but not limited to the employers' participation in various social insurances and payment of social insurance premiums: (ii) the website of Tongling Municipal Human Resources and Social Security Bureau (銅陵市人力資源和社會保障局, **https://rsj.tl.gov.cn/**) indicates that the main responsibilities of the Tongling Social Insurance Business Management Service Centre include, but are not limited to, the supervision, management and review of the local contribution of social insurance, (iii) the website of Tongling Housing Provident Fund Management Centre (**https://gjj.tl.gov.cn/**) indicates that the main responsibilities of the Tongling Housing Provident Fund Management Centre include, but are not limited to, the supervision, management and review of the local contribution of housing funds; (iv) the website of Nanjing Municipal Human Resources and Social Security Bureau (南京市人力資源和社會保障局, **https://rsj.nanjing.gov.cn/**) indicates that Labor Protection Supervision Inspection Team of Nanjing Gulou District is responsible for labour security supervision and enforcement in Gulou District, Nanjing; (v) the website of Nanjing Housing Provident Fund Management Centre (南京市住房公積金管理中心, **https://gjj.nanjing.gov.cn/**) indicates that the main responsibilities of the Nanjing Housing Provident Fund Management Centre include, but are not limited to, the supervision, management and review of the local contribution of housing funds, and the Nanjing Housing Provident Fund Management Centre consists of 8 sub-centres, including the Nanjing Housing Provident Fund Management Centre Jiangning Sub-centre, which collectively carry out the supervision, management and review of the local contribution of housing funds of Nanjing; and (vi) as confirmed by the officers being interviewed where we conducted the on-site interviews, Tongling Social Insurance Business Management Service Centre and Labor Protection Supervision Inspection Team of Nanjing Gulou District are in charge of social insurance management, and Tongling Housing Provident Fund Management Centre and Nanjing Housing Provident Fund Management Centre Jiangning Sub-Centre are in charge of housing provident fund management, respectively, and they have the appropriate authority to provide the above confirmations.

Our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations, considering that: (i) as advised by our PRC Legal Advisor, based on the confirmations from and consultations with relevant authorities and the relevant regulatory policies and the facts stated above, the likelihood that we would be required by relevant authorities to pay the shortfall for social insurance and housing provident fund contributions or being subject to material administrative penalties due to our failure to provide full social insurance and housing provident fund contributions within the stipulated period for our employees is remote. In addition, according to the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《人力資源和社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018, all local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises; (ii) during the Track Record Period and up to the Latest Practicable Date, we have not received any notice requiring us to pay any outstanding social insurance and housing provident fund contributions; (iii) we were not aware of any material labor disputes with respect to social insurance and housing provident fund contribution; (iv) we have obtained written confirmations from the relevant employees who were unwilling to make full contributions that they have waived the rights to such contributions; (v) we have provided employee welfare to the relevant employees for the purpose of employee care; and (vi) we have obtained an indemnity letter from the Controlling Shareholders to indemnify our Group against any claims, fines and other liabilities arising from such non-compliances. As a result, we did not make any provisions in connection with such non-compliances during the Track Record Period and up to the Latest Practicable Date. See "Risk Factors – Risks Relating To Our Business And Industry – Failure to make timely social insurance and housing provident fund contributions for some of our employees as required by PRC laws and regulations may subject us to late payments and fines imposed by relevant governmental authorities."

Internal Control and Remedial Measures

We have taken the following internal control measures to ensure compliance with the social insurance and housing provident fund contribution requirements under the relevant laws and regulations to the extent practicable:

- *Training.* Strengthen the training of our personnel, including training on various compliance-related topics for our employees;

- *Internal control measures*. Establish an internal control team to monitor our ongoing compliance with the social insurance and housing provident fund contributions regulations and oversee the implementation of any necessary measures;

- *Increasing awareness of developments in the law.* Regularly keep abreast of the latest developments in PRC laws and regulations relating to social insurance and housing provident funds; and

- *External counsel.* Consult external legal counsel for advice on relevant PRC laws and regulations.

Going forward, we will continue to implement the above measures to ensure we are in compliance with the social insurance and housing provident fund contributions requirements under the relevant laws and regulations. We undertake to fully comply with the relevant laws and regulations as soon as practicable, subject to the cooperation of each of our employees to make full contributions of social insurance and housing provident funds going forward. If the relevant authorities order us to fully contribute the social insurance and/or housing provident funds, we would make full contributions and rectification measures as soon as possible within the specified period. In addition, we will proactively communicate with relevant local authorities to keep up to date with the applicable laws and regulations concerning social insurance and housing provident funds. We will also communicate such updates with our employees to allow them to better understand the relevant laws and regulations, increasing their understanding of the regulatory requirements so as to enhance our compliance with the applicable laws and regulations.

Non-compliance Related to Leased Properties

During the Track Record Period, we had certain non-compliant incidents involving our leased properties, mainly due to (i) absence of valid title certificates, (ii) inconsistency with approved zoning plan, and (iii) non-registration of lease agreements (collectively, "**Defective Leased Properties**"). The Defective Leased Properties were primarily used as our offices, restaurants, warehouses and employee dormitories.

As advised by the PRC Legal Advisor, (i) we would not be subject to any administrative penalties due to title and usage defects of leased properties, and (ii) the likelihood that we would be penalized due to non-registration of lease agreements at the same time or within a short period is remote, considering that these properties are geographically dispersed. As such, we did not make any provisions in connection with those Defective Leased Properties during the Track Record Period and up to the Latest Practicable Date. See "Risk Factors – Risks Relating to Our Business and Industry – Our rights to use some of our leased properties could be challenged by property owners or other third parties due to usage defects, which may adversely affect our business operations and financial condition."

The table below sets forth the breakdown of the Defective Leased Properties by remaining lease term as of the Latest Practicable Date:

	Restaurants	**Offices**	**Warehouses**	**Employee dormitories**
Less than one year	98	1	159	72
One to two years	86	1	18	–
Two to five years	326	2	35	–
More than five years	121	–	13	–
Total	**631**	**4**	**225**	**72**

Absence of Valid Title Certificates

As of the Latest Practicable Date, lessors of 265 leased properties (with an aggregate GFA of approximately 51,899.3 sq.m., representing approximately 12.5% of our total leased GFA) did not provide valid title certificates. For the years ended December 31, 2021, 2022, 2023 and the eight months ended August 31, 2024, revenue generated from our restaurants absent of valid title certificates provided by relevant lessors as a percentage of our total revenues was 10.7%, 13.9%, 16.2% and 17.7%, respectively.

As of the Latest Practicable Date, the lessors of a total of 2,051 properties have provided their legal ownership certificates of the relevant properties, the relevant construction planning permits or the relevant lease contracts and other transfer right certificates (collectively, "**Property Ownership Certificates**"), and the lessors of the remaining 265 properties have not provided any Property Ownership Certificates. If the relevant lessor has no right to lease the leased property and a third person other than the parties to the relevant lease contracts have legal title to such leased property, such third person may claim that the relevant lease contracts are null and void or have no effect thereto, or even request us to cease our use and move out of such leased property. In addition, in accordance with the relevant provisions of the PRC Civil Code, if the lessee is unable to use or accrue proceeds from the leased property due to any claim by a third person, the lessee may request reduction of rent or refuse to pay rent. Based on the above, our PRC Legal Advisor is of the view that we would not be subject to any administrative penalties with respect to these properties, but our leases may be affected if the lessors of the leased properties do not have the requisite rights to lease the relevant properties.

However, where a dispute arises on the said leases, or we suffer a loss as a result of the said leases, we have a right to request a reduction in rent or refuse to pay rent or require the lessor to indemnify such losses under the lease agreements.

Our Directors believe that the likelihood of our business and results of operations being materially and adversely affected by these title defects is remote, considering that (i) the GFA of these leased properties constitutes a relatively small percentage of our overall leased properties. Out of the abovementioned 265 leased properties, 136 properties are used as restaurant sites, representing approximately 10.4% of the total leased GFA as of the Latest Practicable Date; (ii) during the Track Record Period and up to the Latest Practicable Date, we have not been required to cease operations due to the lessors' right to lease being challenged by a third-party rights holder; (iii) it is unlikely that we would be subject to claims of rights from third parties with respect to a significant number of these leased properties at the same time or within a short period, considering that these properties are geographically dispersed and are leased from different counterparties; and (iv) we maintain a pool of site candidates, and our Directors believe that we would be able to relocate to a different site without materially and adversely affecting our business and results of operations should we be required to do so. See "Risk Factors – Risks Relating to Our Business and Industry – Our rights to use some of our leased properties could be challenged by property owners or other third parties due to usage defects, which may adversely affect our business operations and financial condition." Typically, for a restaurant which would need to be relocated, we estimate that such relocation would involve around RMB40,000 to RMB70,000 as demolition costs and around RMB1.3 million to RMB1.7 million as upfront expenses for opening a new restaurant, and the estimated timeline to relocate a restaurant is approximately two to three months.

Inconsistency with Approved Zoning Plan

As of the Latest Practicable Date, the actual usage of 5 leased properties (with an aggregate GFA of approximately 520.9 sq.m., representing approximately 0.1% of our total leased GFA) was inconsistent with the usage set out in such title certificates or relevant authorization documents. For the years ended December 31, 2021, 2022, 2023 and the eight months ended August 31, 2024, revenues generated from the restaurants with usage defects as a percentage of our total revenue was 0.2%, 0.2%, 0.2% and 0.2%, respectively.

As of the Latest Practicable Date, there are 5 leased properties where the actual purpose of the property is inconsistent with the purpose recorded in the property ownership certificate or stipulated thereby. Those 5 leased properties were primarily used as our restaurant and warehouses. According to the relevant provisions of the PRC Civil Code, any owner may not alter a residential property into a property used for business purposes by violating any law, regulation or stipulation on property management; where an owner intends to alter a residential property into a property used for business purposes, the owner shall, in addition to observing laws, regulations and stipulations on property management, obtain the consent of all other owners who are interested in the property. Meanwhile, in accordance with the relevant provisions of the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), any property whose use is altered in violation of relevant regulations may not be leased, for which any such alteration violating relevant regulations shall be ordered by the construction (real estate) administrative authority of a municipality directly under the Central Government, city or county to make corrections within a prescribed time limit, and if there is no illegal income, a fine of not more than RMB5,000 may be imposed thereon; if there is any illegal income, a fine of one to three times of the illegal income may be imposed thereon, subject to a cap of RMB30,000. Based on the above, our PRC Legal Advisor is of the view that we would not be subject to any administrative penalties, but may not be able to occupy and use such leased properties if the lease was challenged by any interested party or if the lessor was penalized by the competent government authority.

Our Directors believe that the likelihood that our business and results of operations would be materially and adversely affected by these title defects is remote, considering that (i) the GFA of these leased properties constitutes a small portion of our overall leased properties. Moreover, out of the abovementioned five leased properties, only one leased property is used as a restaurant site, the revenue of which represented approximately 0.2%, 0.2%, 0.2% and 0.2% of our total revenue in 2021, 2022, 2023 and the eight months ended August 31, 2024, respectively; (ii) during the Track Record Period and up to the Latest Practicable Date, we have not been required to cease operations due to inconsistency with approved property usage; and (iii) we maintain a pool of site candidates, and our Directors believe we would be able to relocate to a different site without materially and adversely affecting our business and results of operations, should we be required to do so. See "Risk Factors – Risks Relating to Our Business and Industry – Our rights to use some of our leased properties could be challenged by property owners or other third parties due to usage defects, which may adversely affect our business operations and financial condition." Typically, for a restaurant which would need to be relocated, we estimate that such relocation would involve around RMB40,000 to RMB70,000 as demolition costs and around RMB1.3 million to RMB1.7 million as upfront investment cost for opening a new restaurant, and the estimated timeline to relocate a restaurant is approximately two to three months.

Non-registration of Lease Agreements

As of the Latest Practicable Date, 918 lease agreements had not been registered with relevant authorities. As the registration of a lease agreement requires the cooperation between the lessor and lessee and lessors are typically unwilling to undertake the administrative burden due to the low risk of penalty, we were not able to complete the registration of lease agreements mentioned above.

As advised by our PRC Legal Advisor, the non-registration of lease agreements will not affect the validity of the lease agreement and will not lead to any relocation from those leased properties, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine of between RMB1,000 and RMB10,000 for any delay in making registration for each of these lease agreements. The aggregate amount of maximum fine will be approximately RMB9.2 million, which our Directors believe will not have any material adverse impact on our business operations.

During the Track Record Period and up to the Latest Practicable Date, in relation to these 918 leased properties, we have not been required by the relevant local housing administrative authorities to complete the registrations, nor been penalized or fined by the relevant authorities. In addition, we have been more stringent in terms of requiring our lessors to cooperate with us in registering our lease agreements with the relevant housing administrative authorities.

Having considered the foregoing, our Directors believe that the non-registration of lease agreement does not constitute material non-compliance of our Group, and the non-registration of lease agreements described above will not, individually or in aggregate, materially affect our business and results of operation. See "Risk Factors – Risks Relating to Our Business and Industry – Our rights to use some of our leased properties could be challenged by property owners or other third parties due to usage defects, which may adversely affect our business operations and financial condition."

We have taken the following internal control measures to prevent future occurrences of non-registration of Lease Agreements:

- We have established a "Lease Management System", outlining the type of leases, our obligations thereof and leasing principles, establishing lease contract management, property leasing filing and supervision mechanisms, and providing post-leasing management guidelines;

- We have established and implemented specific guidelines in relation to the filing process for newly opened restaurants, explicitly stating that all newly opened restaurants must complete lease registration and submit the relevant documentations to the manager of our administration department of our Company for filing before commencing operations; and

- The manager of our administration department of our Company is responsible for the registration of relevant leases with local authorities, who shall maintain a record of lease registrations, document collection status, lease durations, and actively monitor lease renewals to prevent any non-compliant incidents in relation to our leased properties.

Non-compliance Related to Fire Safety

Background and Reasons for Non-compliance

In 2021, 2022 and 2023, we had 51, 9 and 8 newly opened restaurants, respectively, that commenced operations before obtaining the required Fire Safety Inspection Approvals (the "**Historically Non-compliant Restaurants**"), the aggregate revenue of which amounted to RMB102.1 million, RMB38.0 million and RMB47.3 million respectively, representing approximately 3.9%, 1.2% and 1.0% of our revenue of that year, respectively. Since January 1, 2024, there was no restaurant that commenced operations before obtaining the required Fire Safety Inspection Approvals. As of the Latest Practicable Date, all of our restaurants in operation have obtained necessary licenses, permits and approvals required under the relevant PRC rules and regulations. The average duration of our Historically Non-compliant Restaurants that operated without the required Fire Safety Inspection Approvals was approximately eight months.

The aforementioned restaurants commenced operation prior to obtaining the Fire Safety Inspection Approvals during the Track Record Period, primarily because (i) for 52 of the Historically Non-compliant Restaurants, although it was not necessarily specified in the lease agreements, we were requested by the relevant commercial property operators to open those restaurants by certain deadlines in order to align with their overall opening plans for the shopping malls or schedules for marketing campaigns, and we opened the relevant restaurants as agreed with the commercial property operators in order to maintain good relationships with them; (ii) for two of the Historically Non-compliant Restaurants, the landlords were not able to obtain Fire Safety Inspection Approvals for the whole premises which those restaurants are located in; and (iii) for 14 of the Historically Non-compliant Restaurants, the non-compliances were because our senior management devoted their attention to the development and growth of our restaurants and business, which resulted in their lack of comprehensive understanding of, and inadvertence in monitoring those restaurants' compliance status with fire safety regulatory requirements. Our senior management has enhanced their understanding of the relevant PRC laws and regulations, and we have strengthened our internal control policies with respect to fire safety inspections to avoid the recurrence of such non-compliance incidents in the future. See "– Internal Control Measures."

One of our restaurants in Shenzhen received administrative fines from the Fire Brigade of Nanshan, Shenzhen on August 1, 2022 in an amount of RMB121,400 and was ordered to suspend operation on August 1, 2022, because the restaurant failed to pass the fire safety inspection and had been put into operation before obtaining the Fire Safety Inspection Approval. We have fully paid the fines and taken rectification measures as required by the relevant authorities. The restaurant obtained the Fire Safety Inspection Approval on September 1, 2022 and has resumed operation thereafter. As advised by our PRC Legal Adviser, it is unlikely that we will be subject to any further administrative action, fine or penalty in connection with the aforementioned incident, on the basis that we have duly settled the aforementioned fines and taken rectification measures.

Legal Consequences

We have continued to take remedial measures such as strengthening internal control and obtaining Fire Safety Inspection Approvals (including but not limited to renovating the restaurants and then obtaining the required Fire Safety Inspection Approvals before reopening). As of the Latest Practicable Date, all of our restaurants had been in compliance with laws and regulations with respect to Fire Safety Inspection Approvals. For all the Historically Non-compliant Restaurants that have subsequently obtained the Fire Safety Inspection Approvals, none of these restaurants has been subject to any material administrative penalty for past non-compliance after obtaining the Fire Safety Inspection Approvals. Based on the above, our PRC Legal Adviser has advised us that the risk that the Historically Non-compliant Restaurants would be subject to material administrative penalties for past non-compliance by the relevant fire safety authorities is remote.

Internal Control Measures

We have engaged an internal control consultant to conduct an internal control review on us. We have enhanced our internal control measures as recommended by our internal control consultant to manage associated risks and prevent the re-occurrence of such non-compliance incidents. Specifically, we have devised our license and certificate management policies, which govern the applications for the required as-built acceptance check on fire prevention, fire safety approval filing or the fire safety inspections, as the case may be. The license and certificate management policies explicitly require each new restaurant to be opened only after we have obtained all necessary licenses, permits and approvals required under the relevant PRC rules and regulations. In addition, we conduct extensive training for our staff, including periodic training on general fire safety awareness and knowledge, regular updates and training on fire safety rules and regulations. Going forward, our restaurants will only commence operation after the restaurants have obtained the necessary licenses and regulatory approvals as required by applicable PRC laws and regulations.

Non-compliance Related to Food Safety

During the Track Record Period and up to the Latest Practicable Date, there had been certain isolated food safety incidents of our restaurants resulting in administrative penalties. Please find below a summary of the food safety administrative penalties imposed on us during the Track Record Period and up to the Latest Practicable Date.

Failure to pass quality control tests for food ingredients, substandard pre-packaged food ingredients or cutlery

During the Track Record Period and up to the Latest Practicable Date, our restaurants received 30 administrative penalties due to non-compliance with quality control standards for food ingredients or cutlery and using unlabelled substandard pre-packaged food ingredients. The aggregate penalty amount of those 30 administrative penalties was RMB135,600. With respect to those food safety incidents at our restaurants, we conducted a number of remedial measures, such as (i) discontinuing the use of non-compliant food ingredients, substandard pre-packaged food ingredients and cutlery, (ii) enhancing our food safety quality control and supply chain systems, as well as our restaurant inspection program, (iii) prioritizing employee training so as to enhance their understanding of food safety protocols and relevant laws and regulations, emphasize the significance of personnel accountability, and foster a culture of responsibility and diligence in maintaining food safety, and (iv) establishing and implementing a comprehensive set of internal control measures enhancing quality control for food ingredients, pre-packaged food and cutlery by ways of strengthening quality control procedures, conducting rigorous inspections to identify and rectify potential food safety issues, and ensuring proper handling and sourcing of ingredients. The internal control measures include “Food Safety Inspection Management System”, “Food Safety Self-Inspection Management System”, “Food Sample Retention Management System”, “Food Ingredient Control Management System”, “Culinary Processing System” and the “Pre-processing Management System”. As of the Latest Practical Date, in relation to these 30 administrative penalties, we had rectified those food safety incidents and had fully paid fines, where applicable, as required by the relevant authorities.

Using food ingredients beyond shelf life

During the Track Record Period and up to the Latest Practicable Date, our restaurants received five administrative penalties due to the use of food ingredients beyond their shelf life. The aggregate amount of those five administrative penalties was RMB131,000. With respect to those food safety incidents at our restaurants, we conducted a number of remedial measures, such as (i) discontinuing the use of expired ingredients, (ii) enhancing our food ingredients management system by way of providing comprehensive training to our employees to emphasize the proper management of food expiration dates, and (iii) establishing and implementing a comprehensive set of internal control measures and improving our restaurant inspection program to require restaurant frontline staff to check the shelf life of food products periodically. The internal control measures include “Food Safety Inspection Management System”, “Food Safety Information Traceability System”, “Food Safety Self-Inspection Management System”, “Food Sample Retention Management System”, and “Food Ingredient Control Management System”. As of the Latest Practical Date, in relation to these five administrative penalties, we had rectified those food safety incidents, obtained the required food business licenses and had fully paid fines, where applicable, as required by the relevant authorities.

Operating beyond permitted licensed scope

During the Track Record Period and up to the Latest Practicable Date, our restaurants received three administrative penalties due to operating without a license or beyond the permitted licensed scope, such as selling refrigerated food products or cold dishes without obtaining the necessary permits. The aggregate amount of those three administrative penalties was RMB10,010. With respect to those food safety incidents at our restaurants, we conducted a number of remedial measures, such as (i) obtaining the required business licenses or reviewing our operations to align with the permitted licensed scope, and (ii) establishing and implementing a comprehensive set of internal control measures, such as improving our license management system, strengthening our restaurant opening inspection management and conducting employee training. As of the Latest Practical Date, in relation to these three administrative penalties, we had rectified those food safety incidents and had fully paid fines, where applicable, as required by the relevant authorities.

Improper Food Storage Management

During the Track Record Period and up to the Latest Practicable Date, our restaurants received two administrative penalties due to improper food storage. The aggregate amount of the administrative penalties was RMB5,000. With respect to those food safety incidents at our restaurants, we conducted a number of remedial measures, such as (i) improving our quality control systems related to food production and operation, food storage management, and supply chain management, as well as our restaurant inspection program, (ii) implementing internal control measures to ensure proper food storage management and enhance control over the production process, and (iii) providing comprehensive employee training to enhance their understanding of food safety protocols and regulations. As of the Latest Practical Date, in relation to these two administrative penalties, we had rectified those food safety incidents and had fully paid fines, where applicable, as required by the relevant authorities.

Other food safety related incidents

During the Track Record Period and up to the Latest Practicable Date, our restaurants received one administrative penalty due to failure to timely upload traceability information for food ingredients purchased, one administrative penalty due to failure to establish food safety contingency plan, one administrative penalty due to certain restaurant frontline staff not obtaining valid health certificates as required by the Food Safety Law, one administrative penalty due to failure to arrange employees who wear clean work uniform and cap to prepare food and one administrative penalty due to failure to fulfill food safety responsibilities in accordance with the accountability system. The aggregate amount of these administrative penalties was RMB11,000. With respect to those food safety incidents at our restaurant, we conducted a number of remedial measures, such as (i) timely uploading of traceability information for food ingredients purchased, (ii) establishing proper food safety contingency plans, (iii) establishing various management systems to enhance food safety across our operations, including "Food Safety Information Traceability System", "Pre-processing Management System", "Food Safety Inspection Management System", "Food Safety Self-Inspection Management System", "Food Sample Retention Management System", and "Food Ingredient Control Management System". Each system incorporates specific measures to strengthen quality control procedures, conduct rigorous inspections, and ensure proper handling and sourcing of ingredients, (iv) enhancing the internal control measures in relation to the management of employees' health certificates, (v) enhancing the internal control measures for employee dress code management, and (vi) enhancing the internal control measures to ensure the implementation of food safety responsibilities. As of the Latest Practical Date, in relation to these administrative penalties, we had rectified those food safety incidents and had fully paid fines, where applicable, as required by the relevant authorities.

We believe that, as advised by our PRC Legal Advisor, none of those food safety related administrative penalties, individually or in aggregate, have had or will have a material adverse effect on our business, financial conditions or results of operations, on the basis that (i) we had taken rectification measures as required by the relevant authorities to rectify such incidents and, where applicable, we had fully paid fines as required by the relevant authorities; (ii) the administrative penalties incurred were either in form of warnings without monetary penalties or in form of fines with immaterial amounts (ranging from RMB1,000 to RMB51,000 per administrative penalty), considering the scale of our business and the extensive restaurant network operated by us; (iii) the number of the administrative penalties incurred were relatively small considering the extensive restaurant network operated by us; and (iv) we have obtained written compliance confirmation letters from the competent market supervision authority or official credit information reports from the National Enterprise Credit Information Publicity System or the official website of the national or local center for public credit information, each of which sets out that the relevant restaurants are not subject to material administrative penalties in relation to food safety issues during the Track Record Period.

RISK MANAGEMENT AND INTERNAL CONTROL

We have implemented a series of risk management policies and procedures to identify, assess and manage risks we are exposed to in our operations. For details on the major risks identified by our operations, see "Risk Factors."

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have also adopted and will continue to adopt, the following risk management measures:

- We have established an Audit Committee to review and supervise our financial reporting process and internal control system. Our Audit Committee consists of three Independent Non-executive Directors. For the qualifications and experience of these committee members, see "Directors and Senior Management";

- We have adopted various policies to ensure compliance with the Listing Rules, including, but not limited to, requirements regarding connected transactions and information disclosure;

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

- We have engaged an internal control consultant to review the effectiveness of our internal controls associated with our major business processes, identify deficiencies and areas for improvement, provide recommendations for and review the implementation status of these remedial actions. In addition to the internal control measures we adopted in relation to non-compliant incidents, we have also taken measures to improve internal controls in relation to other respects of our operations. Our Company has implemented various policies and procedures to ensure effective management in our operations, production, financial reporting and recording, and compliance with applicable laws and regulations. With regard to the system design of the internal control mechanism, no significant internal control deficiencies were identified by the internal control consultant during the review.

Our Directors are of the view that our enhanced internal control system is adequate and effective for our current operations.

OVERVIEW

The Board consists of eleven Directors, amongst whom six are executive Directors, one is a non-executive Director and four are independent non-executive Directors. The Board is responsible for, and has the general authority of, the management and operation of the Company. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

DIRECTORS

The following table shows the key information of our Directors as of the Latest Practicable Date. All of our Directors meet the qualification requirements under the Listing Rules for their positions.

Name	Age	Date of joining the Group	Date of appointment as Director of our Company	Position	Roles and Responsibility	Relationship with other Directors and senior management
Mr. Wang Shugao (汪書高)	52	June 9, 2013	October 19, 2021	Chairman of the Board, executive Director and general manager	Responsible for the overall strategic planning, business development and major operational decisions of the Group and overseeing the safety center (food safety and fire safety)	Uncle of Ms. Wang Weifang
Mr. Li Daoqing (李道慶)	47	June 9, 2013	February 10, 2023	Executive Director and vice general manager	Responsible for supply chain management of the Group and overseeing the human resources department, information department, legal department and internal control and internal audit center	N/A
Mr. Tian Chunyong (田春永)	50	October 10, 2014	February 10, 2023	Executive Director and vice general manager	Responsible for developing and expanding restaurants of the Group	N/A
Mr. Zhou Bin (周斌)	46	June 9, 2013	February 10, 2023	Executive Director and regional general manager	Responsible for overall budgeting, cost control, food safety and management of the restaurants within his responsible region	N/A
Ms. Wang Weifang (汪維芳)	34	June 9, 2013	February 10, 2023	Executive Director and regional general manager	Responsible for overall budgeting, cost control, food safety and management of the restaurants within her responsible region	Niece of Mr. Wang

Name	Age	Date of joining the Group	Date of appointment as Director of our Company	Position	Roles and Responsibility	Relationship with other Directors and senior management
Mr. Tao Xu'an (陶旭安)	36	June 9, 2013	February 10, 2023	Executive Director and regional general manager	Responsible for overall budgeting, cost control, food safety and management of the restaurants within his responsible region	N/A
Mr. Law Wing Cheung Ryan (羅永祥)	49	May 13, 2024	May 13, 2024	Non-executive Director	Responsible for providing professional opinion and judgment to the Board	N/A
Mr. Qian Mingxing (錢明星)	61	December 11, 2024	December 11, 2024	Independent non-executive Director	Supervising and providing independent judgment to the Board	N/A
Mr. Zhu Nanjun (朱南軍)	52	December 11, 2024	December 11, 2024	Independent non-executive Director	Supervising and providing independent judgment to the Board	N/A
Mr. Zeng Xiaosong (曾曉松)	50	December 11, 2024	December 11, 2024	Independent non-executive Director	Supervising and providing independent judgment to the Board	N/A
Ms. Fang Xuan (方璇)	53	December 11, 2024	December 11, 2024	Independent non-executive Director	Supervising and providing independent judgment to the Board	N/A

Executive Directors

Mr. Wang Shugao (汪書高), aged 52, the founder of our Group, was appointed as the chairman of the Board, an executive Director and the general manager of the Company in October 2021. Mr. Wang has been serving as the chairman of the board of directors of Xiaocaiyuan Catering since June 2013.

Mr. Wang has over 20 years of experience in catering industry. Prior to founding the Group, Mr. Wang successively founded Tongling Wang Wang Food Court (銅陵市汪旺美食林), Tongling Suburb Hexie Hotel (銅陵市郊區和諧大酒店) and Tongling Hexie Catering Co., Ltd. (銅陵市和諧餐飲有限責任公司) in March 2006, May 2007 and December 2010, respectively. Mr. Wang has received multiple prestigious awards and recognitions, including (i) named as a vice president by Anhui Enterprise Operation and Management Research Association (安徽省企業經營與管理研究會) in November 2019, (ii) awarded as "National Outstanding Entrepreneur in Business" (全國商業優秀企業家) by China Commercial Enterprise Management Association (中國商業企業管理協會) in December 2020, and (iii) appointed as a vice president by Anhui Cooking Association (安徽省烹飪協會) in May 2021.

Mr. Wang is currently studying in Cheung Kong Graduate School of Business (長江商學院) majoring in business administration in Shanghai, the PRC.

Mr. Li Daoqing (李道慶), aged 47, was appointed as an executive Director in February 2023. Mr. Li has been serving as a director and a vice general manager of Xiaocaiyuan Catering since June 2013.

Prior to joining our Group, Mr. Li provided legal service at 148 Legal Service Center, Huashan District, Ma'anshan City (馬鞍山市花山區148法律服務所) from June 2001 to March 2007, and served as a general manager in Chongqing Yuxi Steel (Group) Co., Ltd. (重慶市渝西鋼鐵(集團)有限公司) from March 2007 to January 2009 and the director of business department in Chongqing Duma Metal Materials Co., Ltd. (重慶市度瑪金屬材料有限公司) from January 2009 to July 2012. He has been serving as a deputy to the People's Congress of Gulou District, Nanjing, Jiangsu (江蘇省南京市鼓樓區人民代表大會) since December 2021 and a member of Supply Chain Committee of Anhui Catering Industry Association (安徽省餐飲行業協會供應鏈專業委員會) since September 2023.

Mr. Li graduated from Anhui University (安徽大學) in Anhui, the PRC with a junior college diploma in economic law in December 2001 and with a bachelor diploma in law in December 2004 respectively.

Mr. Tian Chunyong (田春永), aged 50, was appointed as an executive Director in February 2023. Mr. Tian has been serving as a director and a vice general manager of Xiaocaiyuan Catering since October 2014.

Prior to joining our Group, Mr. Tian served as a general manager in Nanjing Qin Dynasty Waguan Catering Co., Ltd. (南京秦朝瓦罐餐飲有限公司) from October 2006 to December 2007, Nanjing Yuqin Shangpin Catering Management Co., Ltd. (南京御秦上品餐飲管理有限公司) from January 2008 to January 2011 and Nanjing Lafei Catering Management Co., Ltd. (南京辣啡餐飲管理有限公司) from January 2011 to December 2013, respectively. He is currently pursuing his junior college's degree through long distance learning in The Open University of China (國家開放大學) in Beijing, the PRC.

Mr. Zhou Bin (周斌), aged 46, was appointed as an executive Director in February 2023. Mr. Zhou has been serving as a director and a regional general manager of Xiaocaiyuan Catering since June 2013.

Mr. Zhou has more than 15 years of experience in catering industry. Prior to joining our Group, Mr. Zhou served as an executive chef in Tongling Hexie Catering Co., Ltd. (銅陵市和諧餐飲有限責任公司) from December 2010 to March 2013.

Mr. Zhou graduated from Zongyang County Laozhou Middle School (樅陽縣老洲中學) in Tongling, Anhui, the PRC in May 1996. He is currently pursuing his junior college's degree through long distance learning in The Open University of China (國家開放大學) in Beijing, the PRC.

Ms. Wang Weifang (汪維芳), aged 34, was appointed as an executive Director in February 2023. She has been serving as a director and a regional general manager of the Xiaocaiyuan Catering since June 2013.

Ms. Wang has over 10 years of experience in catering industry. Prior to joining our Group, Ms. Wang worked in Tongling Suburb Hexie Hotel (銅陵市郊區和諧大酒店) from March 2008 to December 2010 with her last position as a manager. She also served as a manager of Tongling Hexie Catering Co., Ltd. (銅陵市和諧餐飲有限責任公司) from December 2010 to March 2013.

Ms. Wang graduated from Tongling Suburb Hongyang Junior Middle School (銅陵市郊區紅陽初級中學) in Tongling, Anhui, the PRC in July 2004.

Mr. Tao Xu'an (陶旭安), aged 36, was appointed as an executive Director in February 2023. Mr. Tao has been serving as a director and regional manager of Xiaocaiyuan Catering since June 2013.

Mr. Tao has over 10 years of experience in catering industry. Prior to joining our Group, Mr. Tao served as a chef in Tongling Wang Wang Food Court (銅陵市汪旺美食林) from March 2006 to May 2007. He also served as an executive chef in Tongling Hexie Catering Co., Ltd. (銅陵市和諧餐飲有限責任公司) from December 2010 to March 2013.

Mr. Tao graduated from Tongling County Phoenix Agricultural High School (銅陵縣鳳凰農業中學), currently known as Yi'an District Phoenix School (義安區鳳凰學校) in Tongling, Anhui, the PRC in June 2002. He is currently pursuing his junior college's degree through long distance learning in The Open University of China (國家開放大學) in Beijing, the PRC.

Non-executive Directors

Mr. Law Wing Cheung Ryan (羅永祥), aged 49, was appointed as a non-executive Director in May 2024.

Mr. Law has approximately 26 years of experience in investment management. He successively worked in Morgan Stanley Asia Limited from July 1998 to October 2008 with his last position as an executive director, a director of Mount Kellett Capital (奇力資本) from October 2008 to November 2009, a managing director of GCL Capital (協鑫資本) from February 2010 to August 2012. He worked in Morgan Stanley Private Equity Asia from September 2012 to November 2023 with his last position as a managing director, and the senior partner of Harvest Capital Co., Ltd. (加華資本管理股份有限公司) since November 2023.

Mr. Law obtained his bachelor's degree in economics from the University of Chicago in June 1998.

Independent Non-executive Directors

Mr. Qian Mingxing (錢明星), aged 61, was appointed as an independent non-executive Director in December 2024.

Mr. Qian has extensive experience in legal practice. Mr. Qian was a professor at Peking University Law School (北京大學法學院) from August 1999 to April 2023. He worked as a teaching assistant and a lecturer of the law department at Peking University from August 1986 to August 1988 and August 1988 to August 1993, respectively. From August 1993 to August 1999, Mr. Qian was an associate professor at Peking University Law School. Mr. Qian has been serving as an independent non-executive Director in Yihai International Holding Ltd. (頤海國際控股有限公司), a company listed on the Stock Exchange (stock code: 1579.HK), since June 2016. Mr. Qian also currently serves as an arbitrator in China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) (CIETAC), China International Economic and Trade Arbitration Commission (華南國際經濟貿易仲裁委員會), and Beijing Arbitration Commission (北京仲裁委員會) (BAC), respectively.

Mr. Qian obtained a bachelor's degree in law and a master's degree in law from Peking University (北京大學) in July 1983 and July 1986, respectively. In June 2001, Mr. Qian obtained a doctoral degree of laws from Peking University.

Mr. Zhu Nanjun (朱南軍), aged 52, was appointed as an independent non-executive Director in December 2024.

Mr. Zhu, professor and doctoral supervisor at School of Economics of Peking University (北京大學經濟學院), started his career as a postdoctoral researcher at School of Economics of Peking University (北京大學經濟學院), and then worked as a lecturer and an associate professor successively since 2002. Mr. Zhu has extensive experience in finance and accounting. He served as an independent director at Lushang Freda Pharmaceutical Co., Ltd. (魯商福瑞達醫藥股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600223.SH), from June 2015 to July 2021. Since June 2020, he has been serving as an independent director and chairman of the audit committee of the board of directors at China Aerospace Times Electronics Co., Ltd. (航天時代電子技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600879.SH).

Mr. Zhu obtained his bachelor's degree in economics in July 1994 from Wuhan University (武漢大學) in Hubei, the PRC, his master's degree and doctoral degree in management (accounting) respectively in July 1999 and June 2002 from Renmin University of China (中國人民大學) in Beijing, the PRC.

Mr. Zeng Xiaosong (曾曉松), aged 50, was appointed as an independent non-executive Director in December 2024.

Mr. Zeng has extensive experience in corporate finance and investment management. Mr. Zeng worked at Bank of China's New York Branch (中國銀行紐約分行) from February 1999 to July 2005 with his last position as a vice president of corporate banking department. He joined J.P. Morgan (摩根大通投資銀行) in July 2005 as an equity analyst before moving to the investment banking department which focuses on the initial public offers and mergers and acquisitions of financial institutions, including Chinese banks, securities houses, insurers, and fund managers. From August 2008 to September 2022, Mr. Zeng worked at Greenwoods Asset Management Hong Kong Limited (景林資產管理香港公司), a private fund manager focusing on the management of Greater China investments with his last position as the general manager and partner. Mr. Zeng started Arcadia Fund Management Group (奧愷基金管理集團) in December 2022 to be focused on investments into listed and to-be-listed Asian companies. Mr. Zeng has served as an independent non-executive director in Guoquan Food (Shanghai) Co., Ltd. (鍋圈食品(上海)股份有限公司), a company listed on the Stock Exchange (stock code: 2517.HK), since October 2023.

Mr. Zeng has been a holder of the Chartered Financial Analyst (CFA) designation (特許金融分析師) since 2003. He is also a member of the board and a vice chairman of the China Committee of the Hong Kong Venture Capital and Private Equity Association (HKVCA) (香港創業及私募投資協會).

Mr. Zeng graduated from Wuhan University (武漢大學) in the PRC with a major in International Finance in July 1995, and then attended the International Finance program at the Graduate School of the People's Bank of China (中國人民銀行研究生部) from 1995 to 1997. Mr. Zeng graduated with a Master of Science degree in Accounting & Finance from the London School of Economics (LSE) in the United Kingdom in August 1998, where he received the Robert Fleming scholarship.

Ms. Fang Xuan (方璇), aged 53, was appointed as an independent non-executive Director in December 2024.

Ms. Fang has extensive experience in finance and treasury industry. She worked at Beijing Enterprises Holdings Ltd (北京控股有限公司), a company listed on the Stock Exchange (stock code: 0392.HK), from June 2000 to July 2019, with her last position as a financial accounting manager of Hong Kong capital finance department. She has been serving as a financial director at CR Construction Group Holdings Ltd (華營建築集團控股有限公司), a company listed on the Stock Exchange (stock code:1582.HK) since August 2019. Ms. Fang served as a finance director at Mingxi Charity Foundation (明曦公益基金會) from August 2016 to July 2019. Ms. Fang has been serving as a member of the consultative committee of the Liaison Office of the Association of Certified Public Accountants of China in Hong Kong (中國註冊會計師協會駐香港聯絡處) and a member of the Standing Committee of the Shaanxi Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議陝西省委員會) since June 2022 and January 2023, respectively. She currently also serves at The Hong Kong Chinese Enterprises Association Financial & Accounting Affairs Steering Committee (香港中國企業協會財會專業委員會) as the Executive Vice Secretary General.

Ms. Fang has been a member of the Association of International Accountant (國際會計師公會) since June 2015 and a fellow member of Association of International Accountant since September 2020. She has also been a member of China Association of Chief Financial Officers (中國總會計師協會) (CACFO) since December 2016 and a member of Hong Kong Professionals and Senior Executives Association (香港專業及資深行政人員協會) since January 2021.

Ms. Fang obtained her bachelor's degree in accounting in October 2006 from University of Bolton (博爾頓大學) in England. She also completed a senior program on public administration in Tsinghua University (清華大學) in Beijing, the PRC, in August 2022 and obtained an EMBA degree from the City University of Hong Kong in October 2021.

Save as disclosed above, none of our Directors held any other directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus, and to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there are no other matters with respect to our Directors that need to be brought to the attention of our Shareholders and there is no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

SENIOR MANAGEMENT

The following table shows the key information of our senior management:

Name	Age	Date of joining the Group	Date of appointment as senior management of our Company	Position	Roles and Responsibility	Relationship with other Directors and senior management
Mr. Wang	52	June 9, 2013	October 19, 2021	Chairman of the Board, executive Director and general manager	Responsible for the overall strategic planning, business development and major operational decisions of the Group and overseeing the safety center (food safety and fire safety)	Uncle of Ms. Wang Weifang

Name	Age	Date of joining the Group	Date of appointment as senior management of our Company	Position	Roles and Responsibility	Relationship with other Directors and senior management
Mr. Li Daoqing (李道慶)	47	June 9, 2013	October 19, 2021	Executive Director and vice general manager	Responsible for supply chain management of the Group and overseeing the human resources department, information department, legal department and internal control and internal audit center	N/A
Mr. Tian Chunyong (田春永)	50	October 10, 2014	October 19, 2021	Executive Director and vice general manager	Responsible for developing and expanding restaurants of the Group	N/A
Ms. Zhu Zhenghui (朱正慧)	48	September 1, 2019	October 19, 2021	Chief financial officer	Responsible for the overall financial management	N/A
Ms. She Mingzhu (佘明珠)	40	July 1, 2015	October 19, 2021	Board secretary and head of general manager's office	Responsible for the financing, investor relationship management and corporate governance of the Group	N/A

Mr. Wang is an executive Director, the chairman of the Board and the general manager of our Company. For the biographical details of Mr. Wang, see "– Directors – Executive Director".

Mr. Li Daoqing (李道慶) is an executive Director and a vice general manager of our Company. For the biographical details of Mr. Li, see "– Directors – Executive Director".

Mr. Tian Chunyong (田春永) is an executive Director and a vice general manager of our Company. For the biographical details of Mr. Tian, see "– Directors – Executive Director".

Ms. Zhu Zhenghui (朱正慧), aged 48, joined our Group in September 2019 and was appointed as the chief financial officer of our Company in October 2021. She has been serving as the chief financial officer of Xiaocaiyuan Catering since September 2019.

Prior to joining our Group, Ms. Zhu worked as an accountant in Tongling Suburb Finance Bureau Chenyaohu Branch (銅陵市郊區財政局陳瑤湖分局) from January 1998 to May 2017. She also worked in Tongling Rushi Accounting Firm (銅陵如是會計師事務所) from May 2018 to August 2019.

Ms. Zhu obtained her bachelor's degree in international economics and trade from School of Adult Education of Tongling College School of Adult Education (銅陵學院成人教育學院) through correspondence education in Anhui, the PRC, in January 2007. She was admitted as a Certified Public Accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in April 2003 and a Certified Tax Agent jointly by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and the State Taxation Administration of the PRC (中華人民共和國國家稅務總局) in August 2007.

Ms. She Mingzhu (佘明珠), aged 40, joined our Group in July 2015 and was appointed as the board secretary and the head of general manager's office since October 2021. She served as an officer from July 2015 to December 2016, and an office director and an assistant to the chairman of Xiaocaiyuan Catering from January 2017 to November 2020.

Prior to joining our Group, Ms. She served in Foshan Linghang Human Resources Service Co., Ltd. (佛山市領航人力資源服務有限公司) from May 2009 to April 2015 with her last position as the head of Changzhou Branch.

Ms. She received a junior college diploma in human resources from Guilin University of Electronic Technology (桂林電子科技大學) in Guangxi, the PRC, in June 2018. She was named as a member of the Second Tongling Tongguan District Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第二屆銅陵市銅官區委員會委員) in January 2022 and "Corporate Chief Quality Officer" (企業首席質量官) by Tongling Quality Association (銅陵市質量協會) in June 2022.

JOINT COMPANY SECRETARIES

Ms. She Mingzhu (佘明珠) is the board secretary and a joint company secretary of our Company. For the biographical details of Ms. She Mingzhu, see "– Senior Management".

Ms. Au Wing Han (區泳嫻) is the joint company secretary of our Company. Ms. Au is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司) and has over eight years of experiences in corporate secretarial field and is responsible for providing corporate service to listed and private companies. Ms. Au is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Au holds a degree of Bachelor of Business Administration (Hons).

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

None of our Directors had interests in any other companies as of the Latest Practicable Date that may, directly or indirectly, compete with our business and would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on December 28, 2023 or April 30, 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors confirms (i) his/her independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules, (ii) that he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointment.

BOARD COMMITTEES

In accordance with relevant laws, regulations, the Articles of Association and the corporate governance practice prescribed in the Listing Rules, we have formed three board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee.

Audit Committee

We have established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules and with written terms of references in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee consists of three members, including Mr. Zhu Nanjun, Mr. Qian Mingxing and Ms. Fang Xuan. Mr. Zhu Nanjun currently serves as the chairman of the Audit Committee. Ms. Fang Xuan is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Nomination Committee

We have established a nomination committee (the "**Nomination Committee**") in compliance with Rule 3.27A of the Listing Rules and with written terms of references in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee will also consider the candidate(s)' ability to devote sufficient time to fulfill the duties of the Directors and members of the special committees of the Board and consider the candidate(s) of independent non-executive Director(s)' ability to devote sufficient time to the Board if the candidate(s) will be holding his/her seventh (or more) listed company directorships. The Nomination Committee consists of three members, including Mr. Wang Shugao, Mr. Qian Mingxing and Mr. Zhu Nanjun. Mr. Wang Shugao currently serves as the chairman of the Nomination Committee.

Remuneration Committee

We have established a remuneration committee (the "**Remuneration Committee**") in compliance with Rule 3.25 of the Listing Rules and with written terms of references in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration Committee consists of three members, including Ms. Fang Xuan, Mr. Wang Shugao and Mr. Zeng Xiaosong. Ms. Fang Xuan currently serves as the chairlady of the Remuneration Committee.

BOARD DIVERSITY

We have adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from a wider pool of available talent.

Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service and other related factors. We will also consider our own business model and special needs. The ultimate selection of Director candidates will be based on merits of the candidates and contribution that the candidates will bring to our Board.

Our Board currently consists of two female Directors and nine male Directors with a balanced mix of knowledge and skills, including but not limited to overall management and strategic development, finance, accounting and risk management. The Company is of the view that the Board satisfies our board diversity policy.

Our Nomination Committee is responsible for the implementation of our board diversity policy. Upon completion of the Listing, our Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of salaries, bonuses, other allowances and benefits in kind, including our Company's contribution to the pension scheme on their behalf. We determine the salaries of our Directors based on each Director's responsibilities, qualification, position and seniority. For details of the service contracts and appointment letters that we have entered into with our Directors, see "Appendix IV – Statutory and General Information – C. Further Information about our Directors – 1. Particulars of Directors' service contracts and appointment letters."

The aggregate amount of remuneration including salaries and bonuses, retirement benefits scheme contributions and share-based payments paid to our Directors in respect of the three years ended December 31, 2023 and the eight months ended August 31, 2024 were RMB3.58 million, RMB5.57 million, RMB3.80 million and RMB1.89 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Accountants' Report in Appendix I to this prospectus.

Under the arrangements currently in force, the aggregate amount of remuneration (including any discretionary bonus which may be paid) payable by our Group to our Directors for the year ending December 31, 2024 is expected to be approximately RMB5 million.

For the three years ended December 31, 2023 and the eight months ended August 31, 2024, the aggregate amount of the remuneration paid to the five highest paid individuals of our Group, including our Directors, were RMB3.11 million, RMB4.99 million, RMB3.52 million and RMB2.01 million, respectively. Further details on the remuneration of the five highest paid individuals during the Track Record Period is set out in Accountants' Report in Appendix I to this prospectus.

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

Save as disclosed above, no other payments have been paid or are payable during the Track Record Period to our Directors by our Group.

COMPLIANCE ADVISOR

We have appointed Altus Capital Limited as our compliance advisor (the "**Compliance Advisor**") pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise the Company in certain circumstances and/or matters including:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of the Group deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry to the Company under Rule 13.10 of the Listing Rules.

The term of the appointment of our Compliance Advisor shall commence on the Listing Date and end on the date when we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply with the corporate governance requirements under the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules after the Listing.

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules after the Listing except for Code Provision C.2.1 of Part 2 of the Corporate Governance Code, which provides that the roles of chairman of the board and general manager should be separate and should not be performed by the same individual.

The roles of chairman of the Board and general manager of the Company are currently performed by Mr. Wang. In view of Mr. Wang's substantial contribution to our Group since our establishment and his extensive experience, we consider that having Mr. Wang acting as both our chairman and general manager will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it is appropriate and beneficial to our business development and prospects that Mr. Wang continues to act as both our chairman and general manager after the Listing, and therefore currently do not propose to separate the functions of chairman and general manager.

While this would constitute a deviation from Code Provision C.2.1 of Part 2 of the Corporate Governance Code, the Board believes that this arrangement will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our Board comprises four independent non-executive Directors, which is in compliance with the requirement under the Hong Kong Listing Rules; (ii) Mr. Wang and other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and general manager is necessary.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Company's seven shareholding platforms, namely XCY Yongqing Limited, XCY Xuyuan Limited, XCY Zhiyuan Limited, XCY Huiming Limited, XCY Weiyuan Limited, XCY Liyuan Limited and XCY Future Limited (collectively, the "**BVI Entities**"), held 39.96%, 25.61%, 6.48%, 5.21%, 2.50%, 1.91% and 11.32% of the issued share capital of our Company, respectively. Mr. Wang, our founder, chairman of the Board, executive Director and general manager, acts as the sole director of each of the BVI Entities. As advised by our legal advisor as to BVI laws, Mr. Wang shall be entitled to manage, direct and supervise the business and affairs of the BVI Entities and exercise the voting rights of the BVI Entities at the general meetings of the Company at his own discretion pursuant to the laws of the BVI and the Memorandum of Association and Articles of Association of each of the BVI Entities (the "**M&A**"). In light of the above, Mr. Wang is able to control the voting rights of approximately 92.99% of the issued share capital of our Company through the BVI Entities. Immediately following the completion of the Global Offering (assuming the Over- allotment Option is not exercised), Mr. Wang will be able to control the voting rights of approximately 85.00% of the issued share capital of our Company through the BVI Entities. As such, Mr. Wang and the BVI Entities constitute Controlling Shareholders of our Company upon completion of the Global Offering.

In addition, Mr. Wang and the Other Individual Shareholders, namely Mr. Li Daoqing, Mr. Tian Chunyong, Mr. Zhou Bin, Mr. Tao Xu'an, Mr. Ye Hongli, Mr. Fang Zhiguo, Ms. Wang Weifang and Mr. Chen Haiyan, held 29.26%, 9.84%, 9.84%, 9.84%, 9.84%, 8.51%, 8.51%, 7.18% and 7.18% of the equity interests in XCY Yongqing Limited, respectively. Since the incorporation of our Company in 2021, Mr. Wang and the Other Individual Shareholders have been acting in concert by aligning their votes of XCY Yongqing Limited. On October 10, 2023, Mr. Wang entered into the Acting in Concert Agreement with the Other Individual Shareholders, pursuant to which they confirmed that they have been acting in concert since the incorporation of our Company in 2021 and will continue to act in concert by aligning their votes of XCY Yongqing Limited, and that the Other Individual Shareholders will follow Mr. Wang's decisions in relation to the exercise of the voting rights by XCY Yongqing Limited. In light of above, each of the Other Individual Shareholders also constitutes a Controlling Shareholder of the Company upon completion of the Global Offering.

As such, Mr. Wang, the BVI Entities and the Other Individual Shareholders constitute a group of Controlling Shareholders of our Company.

COMPETING ISSUES UNDER RULE 8.10 OF THE LISTING RULES

Save and except for the interest of our Controlling Shareholders in our Company, each of our Controlling Shareholders confirms that as of the Latest Practicable Date, they did not have any interest in any business which competes or is likely to compete, directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our business will function independently from our Controlling Shareholders following the completion of the Global Offering, taking into consideration the factors below.

Management Independence

Our business is managed and conducted by our Board and senior management. Our Directors believe that our Board and senior management team are able to operate our business independently of our Controlling Shareholders and their respective close associates for the following reasons:

(i) Mr. Wang currently serves as the sole director of each of the BVI Entities. Since the BVI Entities serve as shareholding platforms and do not have any substantive business, there will be no conflict of interest between the Company and the BVI Entities. Other than above, our executive Directors and senior managers do not hold any management position and/or directorship in the BVI Entities or its close associates as of the Latest Practicable Date;

(ii) each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;

(iii) our Board has a balanced composition of executive Directors, a non-executive Director and independent non-executive Directors which ensures the independence of the Board in making decisions affecting our Company. Specifically, (a) our independent non-executive Directors are not associated with the members of the Controlling Shareholders or their respective close associates; (b) our independent non-executive Directors account for no less than one-third of the Board; (c) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience and will be able to provide professional and experienced advice to our Company; and (d) all our independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. See "Directors and Senior Management." In conclusion, the Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole; and

(iv) upon completion of the Global Offering, our Company will adopt a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see "– Corporate Governance Measures" in this section below for further information.

Therefore, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that our Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole.

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

Operational Independence

We are in possession of all production and operating facilities, material licenses, qualifications, intellectual properties, permits and technology relating to our Group's business and have obtained relevant requisite qualifications and approvals for conducting all our business. Currently, we engage in our Group's business independently, with the independent right to make operational decisions and implement such decisions. We have independent access to consumers and suppliers and are not dependent on our Controlling Shareholders or their respective close associates for any significant amount of our revenue, product development, staffing or marketing and sales activities, and we have sufficient capital, equipment and employees to operate our business independently. We have our own organizational structure with independent departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

Based on the above, our Directors are of the view that the Group operates independently from our Controlling Shareholders and their respective close associates.

Financial Independence

Our Group has established its own finance department with a team of independent financial employees responsible for discharging treasury, accounting, reporting, group credit and internal control functions independent from our Controlling Shareholders and their respective close associates, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Group maintains bank accounts independently and does not share any bank account with our Controlling Shareholders. Our Group makes tax registration and pays tax independently with its own funds. As such, our Group's financial functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their respective close associates.

As of the Latest Practicable Date, there was no outstanding loan or guarantee provided by our Controlling Shareholders and their respective close associates.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. Our Company would adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholders:

(i) where a Board meeting is held for the matters in which any Director (including our Controlling Shareholders) has a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(ii) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their close associates has a material interest, our Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted in the quorum in the voting;

(iii) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with a Controlling Shareholder or any of his/her/its close associates, our Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules;

(iv) Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and professional advice to protect the interests of our minority Shareholders;

(v) in the event that our independent non-executive Directors are requested to review any conflict of interest between our Group and our Controlling Shareholders, the Controlling Shareholders shall provide all relevant financial, operational and market and any other necessary information for the independent non-executive Directors' annual review and our Company shall disclose the decisions on matters reviewed by the independent non-executive Directors either in its interim and annual reports or by way of announcements in accordance with the Listing Rules;

(vi) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisors at our Company's cost as and when appropriate in accordance with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules; and

(vii) we have appointed Altus Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to, various requirements relating to Directors' duties, internal controls and conflicts of interest.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage potential conflicts of interest between our Group and our Controlling Shareholders and/or Directors to protect minority Shareholders' rights after the Listing.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the following persons are expected to have an interest and/or a short position in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of shareholders	Capacity and nature of interest	Shares held as of the Latest Practicable Date		Shares immediately following the Share Subdivision and before the Global Offering		Shares immediately following the Global Offering(1)	
		Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
Mr. Wang(2)(3)	Interest in controlled corporation	10,000	92.99%	1,000,000,000	92.99%	1,000,000,000	85.00%
XCY Yongqing Limited(2)	Beneficial owner	4,297.14	39.96%	429,714,000	39.96%	429,714,000	36.52%
XCY Xuyuan Limited(2)	Beneficial owner	2,754.29	25.61%	275,429,000	25.61%	275,429,000	23.41%
XCY Zhiyuan Limited(2)	Beneficial owner	697.14	6.48%	69,714,000	6.48%	69,714,000	5.93%
XCY Huiming Limited(2)	Beneficial owner	560.00	5.21%	56,000,000	5.21%	56,000,000	4.76%
XCY Weiyuan Limited(2)	Beneficial owner	268.57	2.50%	26,857,000	2.50%	26,857,000	2.28%
XCY Liyuan Limited(2)	Beneficial owner	205.71	1.91%	20,571,000	1.91%	20,571,000	1.75%
XCY Future Limited(2)	Beneficial owner	1,217.15	11.32%	121,715,000	11.32%	121,715,000	10.35%
Mr. Li Daoqing(3)	Interests held jointly with other person	4,297.14	39.96%	429,714,000	39.96%	429,714,000	36.52%
Mr. Tian Chunyong(3)	Interests held jointly with other person	4,297.14	39.96%	429,714,000	39.96%	429,714,000	36.52%
Mr. Zhou Bin(3)	Interests held jointly with other person	4,297.14	39.96%	429,714,000	39.96%	429,714,000	36.52%
Mr. Tao Xu'an(3)	Interests held jointly with other person	4,297.14	39.96%	429,714,000	39.96%	429,714,000	36.52%
Mr. Ye Hongli(3)	Interests held jointly with other person	4,297.14	39.96%	429,714,000	39.96%	429,714,000	36.52%
Mr. Fang Zhiguo(3)	Interests held jointly with other person	4,297.14	39.96%	429,714,000	39.96%	429,714,000	36.52%
Ms. Wang Weifang(3)	Interests held jointly with other person	4,297.14	39.96%	429,714,000	39.96%	429,714,000	36.52%
Mr. Chen Haiyan(3)	Interests held jointly with other person(3)	4,297.14	39.96%	429,714,000	39.96%	429,714,000	36.52%
Harvest Delicacy(4)	Beneficial owner	753.38	7.01%	75,338,000	7.01%	75,338,000	6.40%

Notes:

(1) The calculation is based on the total number of 1,176,518,800 Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

(2) Mr. Wang is the sole director of each of the BVI Entities and therefore entitled to control the voting power of each of the BVI Entities. In light of the above, Mr. Wang is deemed to be interested in 92.99% of the Shares of the Company, including the equity interest held by XCY Yongqing Limited, XCY Xuyuan Limited, XCY Zhiyuan Limited, XCY Huiming Limited, XCY Weiyuan Limited, XCY Liyuan Limited and XCY Future Limited.

(3) Mr. Wang, Mr. Li Daoqing, Mr. Tian Chunyong, Mr. Zhou Bin, Mr. Tao Xu'an, Mr. Ye Hongli, Mr. Fang Zhiguo, Ms. Wang Weifang and Mr. Chen Haiyan held 29.26%, 9.84%, 9.84%, 9.84%, 9.84%, 8.51%, 8.51%, 7.18% and 7.18% of the equity interests in XCY Yongqing Limited. Since the incorporation of our Company in 2021, Mr. Wang and the Other Individual Shareholders have been acting in concert by aligning their votes of XCY Yongqing Limited. On October 10, 2023, Mr. Wang entered into the Acting in Concert Agreement with the Other Individual Shareholders, pursuant to which they confirmed that they have been acting in concert since the incorporation of Company in 2021 and will continue to act in concert by aligning their votes of XCY Yongqing Limited, and that the Other Individual Shareholders will follow Mr. Wang's decisions in relation to the exercise of the voting rights by XCY Yongqing Limited. In light of above, each of the Other Individual Shareholders also constitutes a Controlling Shareholder of the Company upon completion of the Global Offering. Under the SFO, each of the Other Individual Shareholders is deemed to be jointly interested in the Shares held by XCY Yongqing Limited in the Company.

(4) Harvest Delicacy is ultimately controlled by Mr. Song Xiangqian.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid as of the date of this prospectus and immediately following the completion of the Share Subdivision and the Global Offering:

1. Share Capital as of the date of this prospectus

(a) Authorized share capital

Number	Description	Approximate aggregate nominal value of Shares
		(US$)
49,246.62	Ordinary Shares of US$1 each	49,246.62
645.85	First Round Preferred Shares of par value US$1 each	645.85
107.53	Second Round Preferred Shares of par value US$1 each	107.53
50,000	**Total**	50,000

(b) Issued share capital

Number	Description	Approximate aggregate nominal value of Shares
		(US$)
10,000	Ordinary Shares of US$1 each	10,000
645.85	First Round Preferred Shares of par value US$1 each	645.85
107.53	Second Round Preferred Shares of par value US$1 each	107.53
10,753.38	**Total**	10,753.38

2. Share Capital immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised)

(a) Authorized share capital

Number	Description	Approximate aggregate nominal value of Shares
		(US$)
5,000,000,000	Ordinary Shares of US$0.00001 each	50,000
5,000,000,000	**Total**	50,000

(b) Issued share capital

Number	Description	Approximate aggregate nominal value of Shares
1,075,338,000	Ordinary Shares of US$0.00001 each in issue immediately following the completion of the Share Subdivision and before the Global Offering	10,753.38
101,180,800	Ordinary Shares of US$0.00001 to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised)	1,011.81
1,176,518,800	**Total**	11,765.19

ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above tables also do not take into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus. Upon Listing, our Company will have one class of issued Shares and each issued Share shall entitle its holder to one vote at a general meeting of our Company.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may be subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See the section headed " Summary of the Constitution of our Company and the Cayman Companies Act – 2. Articles of Association – 2.1 Shares" in Appendix III for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed "– General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

See the section headed "Statutory and General Information – A. Further Information about our Group – 4. Resolutions of the Shareholders of Our Company dated December 2, 2024" in Appendix IV for further details.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information – A. Further Information about our Group – 5. Repurchase of Our Own Securities" in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

See "Statutory and General Information – A. Further Information about our Group – 5. Repurchase of Our Own Securities" in Appendix IV for further details.

You should read the following discussion and analysis with our historical financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this prospectus. Our historical financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2021, 2022 and 2023 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are one of the renowned self-operated chain restaurants in China's mass Chinese cuisine market. Capitalizing on our deep comprehension of China's evolving catering industry, the anticipated modernization and industrialization in the industry, and the inherent consumer demand, we strategically ventured into the growing mass Chinese cuisine sector with the commitment to cater to the growing demands of Chinese consumers. We aspire to establish our Xiaocaiyuan restaurants as the "home kitchen" widely acknowledged by Chinese consumers.

In 2013, we established *Xiaocaiyuan* brand to focus on the mass Chinese cuisine market segment with average spending per consumer between RMB50 and RMB70. As of the Latest Practicable Date, we had 663 restaurants under operation (including 658 *Xiaocaiyuan* restaurants and five restaurants under other brands), with a coverage of 146 cities or counties across 14 provinces in China. During the Track Record Period, we proactively develop our delivery business as part of our overall strategy to achieve the coverage of dine-in and food delivery consumption scenarios.

Despite the challenges brought by the COVID-19 pandemic to the catering industry in China, our revenue increased by 21.5% from RMB2,645.8 million in 2021 to RMB3,213.4 million in 2022, and further increased by 41.6% to RMB4,549.4 million in 2023. Our revenue increased by 15.4% from RMB3,070.3 million in the eight months ended August 31, 2023 to RMB3,544.0 million in the eight months ended August 31, 2024. In addition, our net profit increased from RMB227.1 million in 2021 to RMB237.6 million in 2022, and further increased by 124.0% to RMB532.1 million in 2023. Our net profit remained relatively stable at RMB394.8 million in the eight months ended August 31, 2023 and RMB400.6 million in the eight months ended August 31, 2024.

BASIS OF PREPARATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on October 19, 2021 and became the holding company of the companies now comprising our Group after the Reorganization detailed in "History, Reorganization and Corporate Structure – Reorganization." As part of the Reorganization, our Company, through its wholly-owned subsidiaries, acquired the entire equity interests in Xiaocaiyuan Catering and the supply chain activities of Hongjingxuan Supply Chain.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment, whichever is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2021, 2022, 2023 and August 31, 2024 have been prepared to present the financial position of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of incorporation or establishment, where applicable. Intra-group balances, transactions and unrealized gains/losses on intra-group transactions are eliminated in full in preparing the historical financial information.

The historical financial information have been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**"). Further details of the material accounting policy information adopted are set out in Note 2 to the Accountants' Report in Appendix I to this Prospectus.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the historical financial information, we have adopted all applicable new and revised IFRS Accounting Standards that are effective for the Track Record Period consistently throughout the Track Record Period. We have not applied any new standard or interpretation that is not yet effective during the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Period are set out in Note 31 to the Accountants' Report in Appendix I to this Prospectus.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by general factors affecting the catering industry in China, which include changes in consumer tastes and dining preferences, the outbreak of any food-borne illnesses, changes in the regulatory, legal and public policy landscapes, and general economic and business conditions in China.

Our results of operations are also affected by certain industry and company-specific factors, including:

- Consumer demand for mass Chinese cuisine;
- Number of restaurants in operation and expansion of our restaurant network;
- Same store sales growth;
- Food ingredient prices;
- Staff costs; and
- Depreciation of right-of-use assets and other rentals and related expenses.

Consumer Demand for Mass Chinese Cuisine

Our financial performance and operational results are subject to consumer demand for mass Chinese cuisine and catering services in general in China. According to Frost & Sullivan, China's catering market has shown a growing trend during the past several years from RMB4,271.6 billion in 2018 to RMB5,289.0 billion in 2023, representing a CAGR of approximately 4.4% from 2018 to 2023. Before the pandemic, from 2018 to 2019, the market size of China's catering market by revenue grew at a growth rate of approximately 9.4%. China had the second largest catering market in 2023 globally. The market is expected to reach RMB8,262.7 billion in 2028 at a CAGR of approximately 9.3% from 2023 to 2028, primarily driven by China's growing household spending, faster pace of life, increasing urbanization rate, strong growth of delivery services and development of digital platforms and technologies in this market.

According to Frost & Sullivan, Chinese cuisine occupies the largest part of China's catering market, accounting for approximately 77.1% of China's catering market in 2023, and mass Chinese cuisine market occupies the largest part of China's Chinese cuisine market in 2023, accounting for approximately 88.7% of China's Chinese cuisine market. According to Frost & Sullivan, the total market size of mass Chinese cuisine increased from RMB3,010.3 billion in 2018 to RMB3,618.7 billion in 2023, representing a CAGR of approximately 3.8% from 2018 to 2023, while the growth rate from 2018 to 2019 is approximately 8.7%. The market is expected to reach RMB5,587.1 billion in 2028 at a CAGR of approximately 9.1% from 2023 to 2028, primarily driven by economic growth and increased urbanization, consumer demands shifts stemmed from demographic structural changes, the broad appeal of mass Chinese cuisine as a popular choice, and digital technology advancement.

In addition, Chinese cuisine community catering is an integral part of the mass Chinese cuisine market. China's Chinese cuisine community catering industry achieved rapid growth in recent years, with its market size increasing from RMB1,141.4 billion in 2018 to RMB1,365.8 billion in 2023, representing a CAGR of 3.7% from 2018 to 2023. Before the pandemic, from 2018 to 2019, the growth rate of the Chinese cuisine community catering industry was approximately 8.7%. As China's catering industry gradually recovers with the phasing-out of the pandemic, it is expected to reach RMB2,137.6 billion by 2028, with a projected CAGR of 9.4% from 2023 to 2028.

Going forward, we intend to seize the growing consumer demand and market opportunities to achieve sustainable and healthy business growth. In terms of the restaurant revenue for 2023, *Xiaocaiyuan* ranked first among all brands in China's mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100. We believe we are well-positioned to leverage our strong restaurant management, quality offerings and strong brand awareness to cater to the changing preferences of consumers, capture the opportunities in the mass Chinese cuisine market and successfully expand to China's Chinese cuisine community catering industry.

Number of Restaurants in Operation and Expansion of Our Restaurant Network

We primarily generate revenue from restaurant operations and delivery business. Our revenue is largely affected by the number of our restaurants in operation, and our future revenue growth depends on our ability to open new restaurants and expand our restaurant network. As of the Latest Practicable Date, our restaurant network in China comprised 658 *Xiaocaiyuan* restaurants and five restaurants under other brands. The following table summarizes the movement in the number of all restaurants during the periods indicated:

	For the year ended December 31,			For the eight months ended	From August 31, 2024 to the Latest Practicable
	2021	2022*	2023	August 31, 2024	Date
Number of restaurants at the beginning of the period	278	379	422	542	640
Number of new restaurants opened during the period	107	48	132	109	29
Number of restaurants closed during the period	6	5	12	11	6
Number of restaurants at the end of the period	**379**	**422**	**542**	**640**	**663**

Note:

* The numbers of newly opened/closed restaurants do not count in the transformations of *Xiaocaiyuan* restaurants changed from *Fuxinglou* restaurants in December 2022 (initially opened in September 2021) and in June 2024 (initially opened in December 2020), respectively.

The rapid expansion of our restaurant network has contributed to our revenue growth during the Track Record Period. The total number of our restaurants increased from 278 at the beginning of the Track Record Period to 640 as of August 31, 2024. We attribute this rapid growth to our ongoing efforts to rapidly growing our restaurant network, supported by our strong profitability achieved during the Track Record Period, highly standardized and scalable business model, endeavor to enhance standardization capabilities, effective application of information technologies and employee promotion mechanism.

The following table sets forth the distribution of the number of restaurants and revenue of our *Xiaocaiyuan* restaurants across different tiers of cities in China as of the dates and for the periods indicated:

	As of/for the year ended December 31,									As of/for the eight months ended August 31,					
	2021			2022*			2023			2023			2024*		
	Number	*Revenue*	*%*	*Number*	*Revenue*	*%*	*Number*	*Revenue*	*%*	*Number*	*Revenue*	*%*	*Number*	*Revenue*	*%*
	(RMB in thousands, except for the number of restaurants)														
First-tier cities	48	340,914.9	13.1	55	413,992.0	13.1	84	756,579.8	16.8	73	486,289.1	16.0	97	620,050.1	17.7
New first-tier cities	92	716,284.4	27.4	102	899,763.9	28.3	149	1,296,081.2	28.8	123	856,416.6	28.1	184	1,027,630.9	29.3
Second-tier cities	44	371,848.6	14.2	49	409,915.4	12.9	61	532,860.7	11.8	54	370,439.7	12.2	77	428,261.3	12.2
Third-tier cities and below (including county-level cities and counties)	191	1,182,555.2	45.3	213	1,450,896.9	45.7	242	1,922,446.3	42.6	221	1,330,412.2	43.7	278	1,432,182.0	40.8
Total	**375**	**2,611,603.1**	**100.0**	**419**	**3,174,568.2**	**100.0**	**536**	**4,507,968.0**	**100.0**	**471**	**3,043,557.6**	**100.0**	**636**	**3,508,124.3**	**100.0**

Note:

* There were transformations of *Xiaocaiyuan* restaurants from *Fuxinglou* restaurants in December 2022 (initially opened in September 2021) and in June 2024 (initially opened in December 2020), respectively.

Despite the challenges brought by the pandemic to the catering market, we have achieved resilient growth across cities of different tiers from 2021 to 2022 in terms of both the number of restaurants and revenue scale. From 2021 to 2022, the number of our *Xiaocaiyuan* restaurants increased from 375 as of December 31, 2021 to 419 as of December 31, 2022 and the revenue generated therefrom increased by 21.6% from RMB2,611.6 million in 2021 to RMB3,174.6 million in 2022, surpassing the industry performance in the mass Chinese cuisine market in China in 2022 as the industry experienced a decrease in revenue in the same period, according to Frost & Sullivan. From the start of 2023, as we responded swiftly to the changing market conditions and resumed our pace of expansion, the number of our *Xiaocaiyuan* restaurants increased from 419 as of December 31, 2022 to 536 as of December 31, 2023, and further increased to 636 as of August 31, 2024. Revenue generated from our *Xiaocaiyuan* restaurants increased from RMB3,174.6 million in 2022 to RMB4,508.0 million in 2023, and further increased from RMB3,043.6 million in the eight months ended August 31, 2023 to RMB3,508.1 million in the eight months ended August 31, 2024.

Our standardized and scalable business model support our restaurants to improve initial breakeven and investment payback performance during the Track Record Period. The initial breakeven periods of our *Xiaocaiyuan* restaurants opened during the Track Record Period were generally around one to two months. In addition, we were committed to enhancing our breakeven performance by effectively managing the average initial breakeven periods of the restaurants opened in each period during the Track Record Period. This is mainly due to (i) the standardization that we have achieved in our management and operations, ensuring the stability and high-quality of our dishes and services, which further enhanced our popularity and recognition in the market, and (ii) the effective application of information technologies that we have achieved in our management and operations, resulting in our improved operational efficiency. Among the restaurants which have achieved investment payback as of August 31, 2024, the average investment payback period for those opened in each of 2021, 2022, 2023 was 17.3 months, 12.3 months and 9.4 months, respectively. The average investment payback period of our *Xiaocaiyuan* restaurants, which were opened during the Track Record Period and have achieved investment payback as of August 31, 2024, was approximately 13.8 months. In comparison, the average investment payback period for restaurants opened in 2021, 2022, 2023 and the eight months ended August 31, 2024 in the mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100 was typically over 18 months, according to Frost & Sullivan. We managed to shorten the investment payback period of new restaurant, primarily due to our advanced and strong management capabilities and operational efficiency supported by our standardization efforts and the application of information technologies, ensuring the stable and high-quality of our dishes and services, which further enhanced our popularity and recognition in the market. See "Business – Our Restaurants' Performance – Initial Breakeven Period and Investment Payback Period".

We believe that there are a vast number of regions in China where we can successfully open new restaurants. Going forward, we plan to continue to grow our presence in China and overseas by expanding our geographic coverage and deepening our market penetration. We have adopted an expansion plan to open approximately 160 and 180 new *Xiaocaiyuan* restaurants in 2025 and 2026, respectively. See "Business – Our Restaurant Network – Restaurant Expansion Plan and Management".

Same Store Sales Growth

In addition to the expansion of our restaurant network, our revenue and profitability are also affected in part by our ability to successfully grow revenue from existing restaurants. Same store sales provide a period-to-period comparison of restaurant performance as it excludes the increases in revenue due to the opening of new restaurants by comparing the operational and financial performance of those restaurants that have been in operation.

The table below sets out our same store sales and SSSG of our *Xiaocaiyuan* restaurants during the periods indicated. See "Business – Our Restaurants' Performance – Same Store Performance" for details of other same store indicators.

	For the year ended December 31,				For the eight months ended August 31,	
	2021	**2022**	**2022**	**2023**	**2023**	**2024**
Same store sales[(1)] (RMB in thousands)						
Same store sales from dine-in customers						
First-tier cities	77,237.4	52,056.3	64,775.5	92,303.4	263,512.6	213,840.7
New first-tier cities	501,890.5	417,767.1	524,119.5	631,251.4	476,087.5	370,523.4
Second-tier cities	280,771.3	222,742.2	232,695.8	277,269.1	221,188.9	186,768.2
Third-tier cities and below (including county-level cities and counties)	870,932.8	731,361.9	929,093.4	1,080,092.6	883,891.6	736,370.2
Subtotal	***1,730,832.0***	***1,423,927.5***	***1,750,684.2***	***2,080,916.5***	***1,844,680.6***	***1,507,502.5***
Same store sales from delivery business						
First-tier cities	18,111.3	37,499.9	45,406.3	49,140.8	158,010.3	156,210.9
New first-tier cities	121,741.8	241,250.6	299,924.1	365,043.2	257,216.6	256,616.5
Second-tier cities	50,308.9	102,033.0	110,593.3	137,695.1	98,042.7	101,823.8
Third-tier cities and below (including county-level cities and counties)	123,370.4	263,609.5	343,222.5	446,846.0	334,274.7	363,354.9
Subtotal	***313,532.4***	***644,393.0***	***799,146.2***	***998,725.1***	***847,544.3***	***878,006.1***
Total	**2,044,364.4**	**2,068,320.5**	**2,549,830.4**	**3,079,641.6**	**2,692,224.9**	**2,385,508.6**
Same store sales growth (%)						
Same store sales growth from dine-in customers						
First-tier cities		(32.6)		42.5		(18.8)
New first-tier cities		(16.8)		20.4		(22.2)
Second-tier cities		(20.7)		19.2		(15.6)
Third-tier cities and below (including county-level cities and counties)		(16.0)		16.3		(16.7)
Subtotal		***(17.7)***		***18.9***		***(18.3)***

	For the year ended December 31,		For the eight months ended August 31,
	2021 2022	2022 2023	2023 2024
Same store sales growth from delivery business			
First-tier cities	107.1	8.2	(1.1)
New first-tier cities	98.2	21.7	(0.2)
Second-tier cities	102.8	24.5	3.9
Third-tier cities and below (including county-level cities and counties)	113.7	30.2	8.7
Subtotal	***105.5***	***25.0***	***3.6***
Overall	**1.2**	**20.8**	**(11.4)**

Note:

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

Same store sales are associated with the performance of our restaurant operations and delivery business.

From the eight months ended August 31, 2023 to the eight months ended August 31, 2024, our same store sales for *Xiaocaiyua*n restaurants decreased by 11.4% from RMB2,692.2 million to RMB2,385.5 million, with a decrease in same store sales from dine-in customers from RMB1,844.7 million in the eight months ended August 31, 2023 to RMB1,507.5 million in the eight months ended August 31, 2024 and partially offset by an increase in same store sales from delivery business from RMB847.5 million in the eight months ended August 31, 2023 to RMB878.0 million in the eight months ended August 31, 2024. The decrease in same store sales from dine-in customers was primarily due to (i) the base effect as a result of the rapid surge in spendings of consumers in China's catering market during the first several months in 2023 following the gradual phasing-out of the COVID-19 pandemic, which was in line with the spending patterns in other consumer sectors according to Frost & Sullivan, and (ii) our adjustments to the menu item prices to accommodate the preferences of consumers, demonstrating our long-term commitment to bringing cost-effective experience to our customers. The increase in same store sales from delivery business was evidenced by an increase in the number of our delivery orders of our *Xiaocaiyuan* restaurants from 11.8 million in the eight months ended August 31, 2023 to 18.4 million in the eight months ended August 31, 2024, as a result of (i) an increase in the number of restaurants which offered delivery service aligned with the expansion of our restaurant network and (ii) our increasing promotional activities on online food delivery platforms to promote our delivery business.

From 2022 to 2023, our overall same store sales of our *Xiaocaiyuan* restaurants increased by 20.8% from RMB2,549.8 million to RMB3,079.6 million, with an increase in same store sales from dine-in customers from RMB1,750.7 million in 2022 to RMB2,080.9 million in 2023 and an increase in same store sales from delivery business from RMB799.1 million in 2022 to RMB998.7 million in 2023. The increase was primarily due to (i) the recovery of our restaurant operations as evidenced by an increase in average same store dine-in customers served per day per our *Xiaocaiyuan* restaurant from 247.7 in 2022 to 286.2 in 2023, and (ii) the rapid growth of our delivery business as evidenced by (a) an increase in the number of our delivery orders of our *Xiaocaiyuan* restaurants from 13.8 million in 2022 to 18.9 million in 2023 and (b) an increase in the overall average spending per delivery order of our *Xiaocaiyuan* restaurants from RMB74.5 in 2022 to RMB78.6 in 2023. Such increases were primarily attributable to (i) the standardization that we achieved in our management and operations, ensuring the stable and high-quality of our dishes and services, which further enhanced our popularity and recognition in the market, (ii) our dedication to developing new menu items and updating our existing menu based on our research and study on the changing customer preferences, (iii) the rapid growth of our delivery business as we further optimized our strategy to delivery business by offering more menu items and launching promotions for delivery consumption scenarios, (iv) the digitalization that we have achieved in our management and operations, which resulted in our improved operational efficiency, and (v) the recovery of our customer traffic following the gradual phasing-out of the pandemic since early 2023.

From 2021 to 2022, we achieved positive growth in the same store sales of our *Xiaocaiyuan* restaurants despite the challenges brought by the COVID-19 pandemic to the catering market in China in 2022, when the industry generally experienced a downward trend in their same store sales. Such growth was primarily attributable to the significant growth in same store sales from our delivery business from RMB313.5 million in 2021 to RMB644.4 million in 2022, as evidenced by an increase in the number of delivery orders of our *Xiaocaiyuan* restaurants by almost twofold, from 4.8 million in 2021 to 13.8 million in 2022, primarily because we swiftly responded to the changing conditions and adjusted our business strategy.

Going forward, we are steadfast in our commitment to enhance our financial performance by driving higher SSSG through a variety of initiatives such as (i) introducing innovative menu items and combinations on a regular basis, (ii) elevating the dining experience by enhancing the service awareness of restaurant employees to foster customer loyalty and encourage repeat visits, (iii) drawing in more consumers during non-peak hours and (iv) further expanding our delivery business and enhancing our delivery services.

Food Ingredient Prices

Food ingredient prices have a direct impact on our raw materials and consumables used, which in turn affects our profitability. Key food ingredient supplies we use primarily include livestock and poultry products, aquatic products, and vegetables for preparation of our food. We have devoted substantial efforts to our supply chain management to ensure a steady and sufficient supply of healthy, fresh and quality food ingredients and to optimize our procurement costs. However, despite the various initiatives we have taken, the price and supply of food ingredients are nevertheless subject to a number of factors that are beyond our control, including but not limited to availability, change in market demand and inflation. See “Business – Supply Chain Management – Procurement and Supplier Management – Price Management and Price Sensitivity Analysis” for details.

In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our raw materials and consumables used amounted to RMB913.0 million, RMB1,087.9 million, RMB1,433.4 million, RMB959.1 million and RMB1,140.5 million, respectively, representing 34.5%, 33.9%, 31.5%, 31.2% and 32.2% of our revenue in the same periods. The decrease in raw materials and consumables used as a percentage of our revenue from 2021 to 2023 despite inflation and increasing food ingredient prices in China was primarily due to (i) the expansion of our centralized procurement of food ingredients and (ii) our increasing bargaining power which allows us to negotiate better procurement prices with our suppliers. Raw materials and consumables used as a percentage of our revenue increased from the eight months ended August 31, 2023 to the same period for 2024, primarily due to the increase in our raw materials and consumables used was larger than the increase in revenue as we proactively adjusted the menu item prices to accommodate the preferences of consumers, demonstrating our long-term commitment to bringing cost-effective experience to our customers. As of the Latest Practicable Date, we have successfully achieved the centralized procurement of substantially all of food ingredients.

As the PRC food ingredient price index is expected to continue to rise, we expect the cost of our raw materials and consumables used to increase in absolute amount in the future as we further expand our restaurant network in China. As a result, we plan to continue our price management efforts to control food ingredient procurement costs for our restaurants through the enhancement of our key strategies such as (i) adopting a multi-supplier approach to remain nimble, (ii) negotiating long-term contracts with suppliers, (iii) leveraging our economies of scale and centralized procurement arrangements to strengthen our bargaining power over suppliers, (iv) using data analysis to monitor price fluctuations in public markets and (v) strengthen restaurant management on inventory levels to avoid overstocking.

Staff Costs

Restaurant operations are highly service-oriented, and therefore our success, to a considerable extent, hinges upon our capability to attract, motivate and retain a sufficient number of qualified employees. In addition, the profitability of our business is directly affected by our staff costs. Our staff costs primarily include salaries, wages and other benefits payable to our employees, including our Directors and management team, headquarters employees and restaurant employees. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our staff costs amounted to RMB832.0 million, RMB969.9 million, RMB1,334.2 million, RMB897.6 million and RMB980.9 million, respectively, representing 31.4%, 30.2%, 29.4%, 29.2% and 27.7% of our revenue in the same periods. The increase in our staff costs during the Track Record Period was primarily due to an increase in salaries, wages and other benefits resulting from (i) an increase in the number of our employees due to the expansion of our restaurant network and (ii) the improvement of our employee benefit and welfare schemes.

Going forward, we anticipate a rise in salary levels in the PRC catering industry. This could potentially increase our staff costs as a percentage of total revenue. We plan to counteract this upward pressure by (i) further optimizing staffing at restaurant level through the use of cooking robots, (ii) increasing utilization of our central kitchen for cleaning and portioning of food ingredients and preparation of standard condiment packets and (iii) improving our operational efficiency through enhanced standardization capabilities and effective application of information technologies.

Depreciation of Right-of-use Assets and Other Rentals and Related Expenses

We lease a vast majority of the properties on which we operate our restaurants, central kitchen and headquarters premises. The lease arrangements for our restaurants generally last for five to eight years. See "Business – Our Restaurant Network – Restaurant Expansion Plan and Management – Lease Arrangements" for details.

Depreciation charges for our restaurants are recorded as depreciation of right-of-use assets. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our depreciation of right-of-use assets was RMB146.4 million, RMB172.3 million, RMB196.3 million, RMB122.0 million and RMB168.1 million, respectively, representing 5.5%, 5.4%, 4.3%, 4.0% and 4.7% of our revenue in the respective periods. Fixed payments of leases with a term of one year or less and leases of low-value assets, and variable lease payments are recorded as other rentals and related expenses. Our other rentals and related expenses were RMB51.2 million, RMB57.4 million, RMB58.5 million, RMB35.0 million and RMB63.1 million, respectively, representing 1.9%, 1.8%, 1.3%, 1.1% and 1.8% of our revenue in the respective periods.

As we expand and open new restaurants, we expect our depreciation of right-of-use assets and other rentals and related expenses to increase in the foreseeable future. As a result, we endeavor to manage our rental expenses and optimize our profitability by taking initiatives including (i) further improving our operational efficiency and increasing our restaurant performance per unit area through the improvement of our digital management system, and (ii) leveraging our strong brand recognition and economies of scale to negotiate with landlords.

MATERIAL ACCOUNTING POLICY INFORMATION

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in Notes 2 and 3 to the Accountants' Report in Appendix I to this prospectus.

Revenue and Other Income

Income is classified by us as revenue when it arises from the sales of goods or the provision of services.

Revenue is recognized when control over a product or service is transferred to the consumer at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the consumer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the consumer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to us, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. We take advantage of the practical expedient in paragraph 63 of IFRS 15 and do not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of our revenue and other income recognition policies are as follows:

Revenue from Contracts with Customers

We principally generate revenue from restaurant operations and delivery business. Revenue excludes value-added tax or other sales taxes and is after deduction of other sales taxes or any trade discounts.

For restaurant operations and delivery business for which the control of services is transferred at a point in time, revenue is recognized when the related services have been rendered to customers.

Interest Income

Interest income is recognized as it accrues using the effective interest method.

Government Grants

Government grants are recognized in the statements of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are initially recognized as deferred income at fair value and then recognized in profit or loss as other income on a systematic basis over the useful life of the asset.

Leased Assets

At the inception of a contract, we assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a Lessee

Where the contract contains lease component(s) and non-lease component(s), we have elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, we recognize a right-of-use asset and a lease liability, except for short-term leases that have a term of 12 months or less and leases of low-value assets which, for us, are primarily apartments and kitchen equipment. When we enter into a lease in respect of a low-value asset, we decide whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to its present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. See Note 2(i)(ii) to the Accountants' Report in Appendix I to this Prospectus for details.

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortized cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in our estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether we will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, we have taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within 12 months after the reporting period.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. See Note 2(i)(ii) to the Accountants' Report in Appendix I to this Prospectus for details.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Leasehold improvements	Over the shorter of the lease term or the estimated useful life of the asset
– Buildings	20 years
– Kitchen equipment	5 years
– Electronic equipment and others	1 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents properties under construction and machinery and equipment pending installation and is stated at cost less impairment losses. See Note 2(i)(ii) to the Accountant's Report in Appendix I to this Prospectus for details. Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation policies specified above.

No depreciation is provided in respect of construction in progress.

Fair Value Measurement of Financial Instruments

The fair value assessment of financial instruments that are measured at level 3 fair value hierarchy requires significant estimates, which include risk-free rates, expected volatility, relevant underlying financial projections, market information of recent transactions and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

During the Track Record Period, except for financial assets and liabilities at FVPL, we do not hold any other financial instruments measured at fair value. The fair value measurement of our financial instruments is categorized into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs *i.e.,* unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

- Level 2: Fair value measured using Level 2 inputs *i.e.,* observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

- Level 3: Fair value measured using significant unobservable inputs.

Our financial assets and liabilities at FVPL are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. As of December 31, 2021, 2022, 2023 and August 31, 2024, our financial assets at FVPL amounted to RMB19.5 million, RMB5.0 million, nil and RMB225.6 million, respectively, representing the fair value of our investment in wealth management products. As of December 31, 2021, 2022, 2023 and August 31, 2024, our derivative financial instruments amounted to nil, nil, RMB88.7 million and RMB66.7 million, respectively, representing the fair value of derivative financial instruments issued to an investor. During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Our policy is to recognize transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur. The fair value of wealth management products is determined by the net asset value of the products published by the issuing banks on the balance sheet date.

In respect of the assessment of fair value of the financial liabilities, with reference to the guidance under the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors have undertaken the following key actions: (i) considering available information in assessing the financial forecast and assumptions including but not limited to the historical financial performance, market prospects, comparable companies' conditions, and economic, political and industry conditions, (ii) engaging an external valuer to perform valuations for the financial instruments, including but limited to convertible bonds and warrant, (iii) considering the independence, reputation, capabilities and objectivity of the external valuer to ensure the suitability of such valuer, (iv) reviewing and discussing with our management and the external valuer the valuation models and approaches, and (v) reviewing the valuation work papers and results prepared by the valuer. Valuation techniques are verified by the independent and recognized international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions.

Employee Benefits

Short-term Employee Benefits and Contributions to Defined Contribution Retirement Plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC are recognized as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognized as an expense.

Share-based Payments

The fair value of share granted to employees is recognized as an employee cost with a corresponding increase in a share-based payment reserve within equity. The fair value is measured at grant date using the income approach model, taking into account the terms and conditions upon which the shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior periods is charged/credited to the profit or loss for the period of the review. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the share-based payments reserve).

Termination Benefits

Termination benefits are recognized at the earlier of when we can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

Contract Assets and Contract Liabilities

A contract asset is recognized when we recognize revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(i)(i) of Appendix I to this Prospectus and are reclassified to receivables when the right to the consideration has become unconditional. See Note 2(i) to the Accountants' Report in Appendix I to this Prospectus.

A contract liability is recognized when the customer pays non-refundable consideration before we recognize the related revenue. See Note 2(s) to the Accountants' Report in Appendix I to this Prospectus. A contract liability would also be recognized if we have an unconditional right to receive non-refundable consideration before we recognize the related revenue. In such cases, a corresponding receivable would also be recognized. See Note 2(i) to the Accountants' Report in Appendix I to this Prospectus.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

IMPACT OF COVID-19 OUTBREAK

During the Track Record Period, the COVID-19 pandemic caused a decline in social networking and business activities, which in turn had adverse impacts on China's catering industry as well as our business expansion, operational results and financial performance. According to Frost & Sullivan, affected by the outbreak of COVID-19, the total market size of China's catering industry dropped by 6.3% from RMB4,689.5 billion in 2021 to RMB4,394.1 billion in 2022. During the pandemic, our restaurants experienced reduced customer traffic, temporary closures and reduced operating hours. We also experienced a slowdown in the expansion of our restaurant network in light of the resurgence of COVID-19 outbreaks in 2022.

Despite the challenges brought by the COVID-19, our business showed resilience and maintained an upward trend during the Track Record Period. We have taken a broad range of measures to minimize the negative impact of the COVID-19 pandemic, including (i) consistently expanding our restaurant network by leveraging our strong execution capabilities and taking advantage of the standardization of our management systems and the effective application of information technology, (ii) enhancing our service capabilities and broadening our offerings such as group-buying food delivery services for local communities, (iii) staying nimble to the pandemic control measures to resume restaurant operations through the implementation of flexible working hours and (iv) proactively expanding our delivery business by designing, updating and diversifying our menu items for delivery scenarios and improving our service capabilities to meet increasing consumer demand for food delivery services.

In response to the evolving market dynamics brought by the COVID-19 pandemic, we proactively adapted our business strategies by expanding the delivery business. Attributable to our commitment to service and quality, we witnessed a significant growth in online delivery orders. Our revenue generated from delivery business increased by 151.4% from RMB409.5 million in 2021 to RMB1,029.5 million in 2022. Following the phasing-out of the COVID-19 pandemic since early 2023, our revenue generated from delivery business further increased by 44.9% from RMB1,029.5 million in 2022 to RMB1,491.4 million in 2023 and increased by 37.7% from RMB953.3 million in the eight months ended August 31, 2023 to RMB1,313.0 million in the eight months ended August 31, 2024, primarily attributable to (i) our expansion of restaurant network, (ii) our dedication to designing, updating and diversifying menu items for delivery scenarios and (iii) our increasing promotional activities on online food delivery platforms to promote our delivery business.

We believe that the COVID-19 pandemic did not have a material adverse effect on our business operations or financial performance. Despite the impact of the pandemic on our operations outlined above, we still managed to achieve revenue growth in each period of the Track Record Period. In addition, we managed to achieve a positive trend in our same store sales in 2022 as compared with 2021, when the industry generally experienced a downward trend in their same store sales growth rate. We attributed such success to our promptness in implementing our COVID-19 recovery measures, our efforts to expand our delivery business in line with the strong demand for delivery services and enhance our brand awareness, and our dedication to offering high-quality dishes with accessible prices and attentive service. We successfully overcame the challenges brought by the COVID-19 pandemic and emerged as a stronger and more resilient company, and we believe the insights and experiences accumulated therefrom can better facilitate our long-term business sustainability and profitability.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets out a summary of our results of operations for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2021	**2022**	**2023**	**2023**	**2024**
			(RMB'000)		
				(Unaudited)	
Revenue	2,645,773	3,213,420	4,549,415	3,070,327	3,543,998
Other revenue	10,415	28,456	43,811	21,579	29,373
Raw materials and consumables used	(913,044)	(1,087,918)	(1,433,379)	(959,122)	(1,140,473)
Staff costs	(831,957)	(969,912)	(1,334,181)	(897,632)	(980,874)
Depreciation of right-of-use-assets	(146,424)	(172,306)	(196,270)	(122,031)	(168,139)
Other rentals and related expenses	(51,198)	(57,418)	(58,525)	(34,990)	(63,137)
Depreciation and amortization of other assets	(93,956)	(114,317)	(133,947)	(85,448)	(113,278)
Utility expenses	(74,419)	(102,749)	(139,602)	(91,855)	(115,474)
Advertising and promotion expenses	(8,199)	(27,048)	(48,270)	(31,857)	(43,456)
Delivery service expenses	(73,650)	(185,387)	(257,886)	(166,656)	(231,084)
Other expenses	(130,772)	(148,365)	(210,575)	(124,738)	(167,722)
Other net income/(losses)	772	1,640	(4,918)	(2,156)	19,392
Finance costs	(24,295)	(28,321)	(31,554)	(21,910)	(27,093)
Profit before taxation	**309,046**	**349,775**	**744,119**	**553,511**	**542,033**
Income tax	(81,927)	(112,201)	(212,060)	(158,678)	(141,402)
Profit for the year/period	**227,119**	**237,574**	**532,059**	**394,833**	**400,631**
Attributable to:					
Equity shareholders of the Company	227,119	237,574	532,059	394,833	400,631

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS.

We believe these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

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

We define adjusted net profit (non-IFRS measure) as net profit for the year/period adjusted by adding (i) equity-settled share-based payment expenses, (ii) changes in fair value of the convertible bonds and derivative financial instruments, (iii) changes in carrying amount of the redemption liability and (iv) listing expenses. We then add back (i) income tax, (ii) net finance costs, and (iii) depreciation and amortization of other assets to derive adjusted EBITDA (non-IFRS measure).

The following table sets out a reconciliation from net profit to adjusted net profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) for the year/period indicated:

	Year ended December 31,			Eight months ended August 31,	
	2021	**2022**	**2023**	**2023**	**2024**
			(RMB'000)		
				(Unaudited)	
Reconciliation of net profit to adjusted net profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure)					
Net profit	**227,119**	**237,574**	**532,059**	**394,833**	**400,631**
Add:					
Equity-settled share-based payment expenses(1)	6,451	–	–	–	–
Changes in fair value of the convertible bonds and derivative financial instruments(2)	–	–	3,733	4,141	(46,437)
Changes in carrying amount of the redemption liability(2)	–	–	1,699	–	26,148
Listing expenses(3)	–	–	8,493	–	11,959
Adjusted net profit (non-IFRS measure)	**233,570**	**237,574**	**545,984**	**398,974**	**392,301**

	Year ended December 31,			Eight months ended August 31,	
	2021	2022	2023	2023	2024
			(RMB'000)		
				(Unaudited)	
Add:					
Income tax	81,927	112,201	212,060	158,678	141,402
Net finance costs[(4)]	23,060	26,620	22,532	17,463	10,331
Depreciation and amortization of other assets[(5)]	93,956	114,317	133,947	85,448	113,278
Adjusted EBITDA (non-IFRS measure)	**432,513**	**490,712**	**914,523**	**660,563**	**657,312**

Notes:

(1) Non-cash expenses arising from shares granted to selected employees. See Note 23 to the Accountant's Report in Appendix I to this Prospectus for details.

(2) Changes in fair value of the convertible bonds and derivative financial instruments and changes in carrying amount of the redemption liability represents the change in the amount of the financial instruments issued to Harvest Delicacy in 2023 and 2024. Such change is non-cash in nature. Upon completion of the Global Offering, the financial instruments will be automatically converted into ordinary shares which will no longer be recognized as financial liabilities in the consolidated statements of financial position.

(3) Listing expenses are expenses related to the Global Offering.

(4) Net finance costs represent finance costs less interest income on bank deposits and rental deposits.

(5) The amount of depreciation and amortization presented represents the depreciation of plant and equipment and the amortization of intangible asset and does not include depreciation of right-of-use assets which approximates the rental expense of capitalized lease contracts.

Revenue

During the Track Record Period, we mainly generated revenue from restaurant operations and delivery business. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our revenue amounted to RMB2,645.8 million, RMB3,213.4 million, RMB4,549.4 million, RMB3,070.3 million and RMB3,544.0 million, respectively.

The following table sets out a breakdown of our revenue by business line for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2021		2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Restaurant operations	2,235,184	84.5	2,183,409	68.0	3,051,094	67.1	2,112,683	68.8	2,222,341	62.7
Delivery business	409,518	15.5	1,029,539	32.0	1,491,354	32.8	953,346	31.1	1,313,025	37.0
Others[(1)]	1,071	0.0	472	0.0	6,967	0.1	4,298	0.1	8,632	0.3
Total	**2,645,773**	**100.0**	**3,213,420**	**100.0**	**4,549,415**	**100.0**	**3,070,327**	**100.0**	**3,543,998**	**100.0**

Note:

(1) Others mainly represented revenue generated from (i) sales of food ingredients, (ii) commissions received from a portable charger solution provider and (iii) new retail business.

Xiaocaiyuan is our major brand, which contributed substantially all of our total revenue during the Track Record Period. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, revenue from our *Xiaocaiyuan* restaurants amounted to RMB2,611.6 million, RMB3,174.6 million, RMB4,508.0 million, RMB3,043.6 million and RMB3,508.1 million, respectively, which accounted for 98.7%, 98.8%, 99.1%, 99.1% and 99.0% of our total revenue in the same periods. As of the Latest Practicable Date, we also operated five restaurants under other brands (such as *Caishou*, *Guandi* and *Fuxinglou*). The total revenue generated from our restaurants under other brands was RMB33.1 million, RMB38.4 million, RMB34.5 million, RMB22.5 million and RMB27.2 million in 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, respectively.

The following table sets forth the distribution of the number of restaurants and revenue of our *Xiaocaiyuan* restaurants across different tiers of cities in China as of the dates and for the periods indicated:

	As of/for the year ended December 31,									As of/for the eight months ended August 31,					
	2021			2022*			2023			2023			2024		
	Number	*Revenue*	*%*	*Number*	*Revenue*	*%*	*Number*	*Revenue*	*%*	*Number*	*Revenue*	*%*	*Number*	*Revenue*	*%*
	(RMB in thousands, except for the number of restaurants)														
										(Unaudited)					
First-tier cities	48	340,914.9	13.1	55	413,992.0	13.1	84	756,579.8	16.8	73	486,289.1	16.0	97	620,050.1	17.7
New first-tier cities	92	716,284.4	27.4	102	899,763.9	28.3	149	1,296,081.2	28.8	123	856,416.6	28.1	184	1,027,630.9	29.3
Second-tier cities	44	371,848.6	14.2	49	409,915.4	12.9	61	532,860.7	11.8	54	370,439.7	12.2	77	428,261.3	12.2
Third-tier cities and below (including county-level cities and counties)	191	1,182,555.2	45.3	213	1,450,896.9	45.7	242	1,922,446.3	42.6	221	1,330,412.2	43.7	278	1,432,182.0	40.8
Total	**375**	**2,611,603.1**	**100.0**	**419**	**3,174,568.2**	**100.0**	**536**	**4,507,968.0**	**100.0**	**471**	**3,043,557.6**	**100.0**	**636**	**3,508,124.3**	**100.0**

Note:

* It includes a *Xiaocaiyuan* restaurant transformed from *Fuxinglou* restaurant in December 2022, which was initially opened in September 2021.

In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our revenue generated from delivery business of our *Xiaocaiyuan* restaurants amounted to RMB409.5 million, RMB1,027.4 million, RMB1,486.7 million, RMB950.8 million and RMB1,307.2 million, respectively. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, the number of delivery orders of our *Xiaocaiyuan* restaurants amounted to 4.8 million, 13.8 million, 18.9 million, 11.8 million and 18.4 million, respectively, and the overall average spending per delivery order of our *Xiaocaiyuan* restaurants amounted to RMB85.0, RMB74.5, RMB78.6, RMB80.9 and RMB71.2, respectively.

Other Revenue

Our other revenue mainly consisted of (i) government grants which primarily comprised additional deduction and exemption on value-added tax, subsidies for industry development support and subsidies for stabilizing employment, (ii) interest income, which represented interest income on bank deposits and rental deposits, (iii) investment income on wealth management products issued by banks, and (iv) changes in fair value of wealth management products. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our other revenue amounted to RMB10.4 million, RMB28.5 million, RMB43.8 million, RMB21.6 million and RMB29.4 million, respectively. The following table sets out a breakdown of our other revenue in absolute amounts and as percentages of our revenue for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2021		2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
Government grants	8,847	0.3	24,994	0.8	32,233	0.7	15,363	0.5	10,517	0.3
Interest income on:	1,235	0.1	1,701	0.0	9,022	0.2	4,447	0.1	16,762	0.5
– bank deposits	91	0.0	189	0.0	7,286	0.2	3,462	0.1	15,180	0.4
– rental deposits	1,144	0.1	1,512	0.0	1,736	0.0	985	0.0	1,582	0.1
Investment income on wealth management products	333	0.0	1,761	0.1	2,556	0.1	1,461	0.1	1,522	0.0
Changes in fair value of wealth management products	–	–	–	–	–	–	308	0.0	572	0.0
Total	**10,415**	**0.4**	**28,456**	**0.9**	**43,811**	**1.0**	**21,579**	**0.7**	**29,373**	**0.8**

Raw Materials and Consumables Used

Our raw materials and consumables used mainly consisted of (i) ingredients consumption of livestock and poultry products, aquatic products, vegetables and other ingredients that we use to prepare our dishes, (ii) beverage cost, and (iii) material consumption of packaging materials and other consumables used for our restaurant operations and delivery business. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our raw materials and consumables amounted to RMB913.0 million, RMB1,087.9 million, RMB1,433.4 million, RMB959.1 million and RMB1,140.5 million, respectively, representing 34.5%, 33.9%, 31.5%, 31.2% and 32.2% of our revenue for the respective periods. The following table sets out a breakdown of our raw materials and consumables used in absolute amounts and as percentages of our revenue for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2021		2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
Ingredients consumption	837,314	31.6	971,286	30.2	1,282,260	28.2	864,194	28.1	1,002,846	28.3
Beverage cost	23,011	0.9	21,095	0.7	25,436	0.5	17,628	0.6	18,543	0.5
Material consumption	52,719	2.0	95,537	3.0	125,683	2.8	77,300	2.5	119,084	3.4
Total	**913,044**	**34.5**	**1,087,918**	**33.9**	**1,433,379**	**31.5**	**959,122**	**31.2**	**1,140,473**	**32.2**

Staff Costs

Our staff costs mainly consisted of (i) salaries, wages and other benefits, (ii) contributions to defined contribution retirement plan and (iii) equity-settled share-based payment expenses to our employees. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our staff costs amounted to RMB832.0 million, RMB969.9 million, RMB1,334.2 million, RMB897.6 million and RMB980.9 million, respectively, representing 31.4%, 30.2%, 29.4%, 29.2% and 27.7% of our revenue for the respective periods. The following table sets out a breakdown of our staff costs in absolute amounts and as percentages of our revenue for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2021		2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*Unaudited*)	*%*	*RMB'000*	*%*
Salaries, wages and other benefits	797,911	30.2	940,773	29.3	1,303,795	28.7	878,451	28.6	958,898	27.1
Contributions to defined contribution retirement plan	27,595	1.0	29,139	0.9	30,386	0.7	19,181	0.6	21,976	0.6
Equity-settled share-based payment expenses	6,451	0.2	–	–	–	–	–	–	–	–
Total	**831,957**	**31.4**	**969,912**	**30.2**	**1,334,181**	**29.4**	**897,632**	**29.2**	**980,874**	**27.7**

Depreciation of Right-of-use Assets

Our depreciation of right-of-use assets mainly represented depreciation charges for our restaurants. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our depreciation of right-of-use assets amounted to RMB146.4 million, RMB172.3 million, RMB196.3 million, RMB122.0 million and RMB168.1 million, respectively, representing 5.5%, 5.4%, 4.3%, 4.0% and 4.7% of our revenue for the respective periods.

Other Rentals and Related Expenses

Our other rentals and related expenses mainly represented (i) lease payments for leases of low-value assets and leases that had a lease term of 12 months or less, and (ii) the variable lease payments based on operation results of related restaurant rather than fix rates.

In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our other rentals and related expenses amounted to RMB51.2 million, RMB57.4 million, RMB58.5 million, RMB35.0 million and RMB63.1 million, respectively, representing 1.9%, 1.8%, 1.3%, 1.1% and 1.8% of our revenue for the respective periods.

Depreciation and Amortization of Other Assets

Our depreciation and amortization of other assets mainly represented depreciation and amortization charges for our property, plant and equipment, capitalized renovation costs of our restaurants, and small fixed assets in our restaurants such as stoves and fridges. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our depreciation and amortization of other assets amounted to RMB94.0 million, RMB114.3 million, RMB133.9 million, RMB85.4 million and RMB113.3 million, respectively, representing 3.6%, 3.6%, 2.9%, 2.8% and 3.2% of our revenue for the respective periods.

Utility Expenses

Our utility expenses mainly represented expenses incurred for electricity, gas and water utilities by our restaurants. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our utility expenses amounted to RMB74.4 million, RMB102.7 million, RMB139.6 million, RMB91.9 million and RMB115.5 million, respectively, representing 2.8%, 3.2%, 3.1%, 3.0% and 3.3% of our revenue for the respective periods.

Advertising and Promotion Expenses

Our advertising and promotion expenses mainly represented expenses on marketing activities and promotions for our restaurants. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our advertising and promotion expenses amounted to RMB8.2 million, RMB27.0 million, RMB48.3 million, RMB31.9 million and RMB43.5 million, respectively, representing 0.3%, 0.8%, 1.1%, 1.0% and 1.2% of our revenue for the respective periods.

Delivery Service Expenses

Our delivery service expenses mainly represented fees paid to online food delivery platforms. During the Track Record Period, we offered delivery services to our consumers through services provided by online food delivery platforms. According to our arrangements with these third-party platforms, we generally agreed to pay them a commission fee and a delivery fee, which are in line with the industry norm. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our delivery service expenses amounted to RMB73.7 million, RMB185.4 million, RMB257.9 million, RMB166.7 million and RMB231.1 million, respectively, representing 2.8%, 5.8%, 5.7%, 5.4% and 6.5% of our revenue for the respective periods.

Other Expenses

Our other expenses mainly consisted of (i) property management expenses, mainly representing management and maintenance fees for our restaurants and offices, (ii) transportation and related expenses, (iii) administrative expenses, (iv) professional service expenses, (v) listing expenses, (vi) cleaning fees for our restaurants, (vii) taxes and surcharges, (viii) business development expenses, mainly representing hospitality fees incurred for business purposes, (ix) impairment losses of property, plant and equipment and right-of-use assets, and (x) others. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our other expenses amounted to RMB130.8 million, RMB148.4 million and RMB210.6 million, RMB124.7 million and RMB167.7 million, respectively, representing 4.9%, 4.6%, 4.6%, 4.1% and 4.7% of our revenue for the respective periods. The following table sets out a breakdown of our other expenses in absolute amounts and as percentages of our revenue for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2021		2022		2023		2023		2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* *(Unaudited)*	%	*RMB'000*	%
Property management expenses	71,690	2.7	84,705	2.6	104,768	2.3	65,330	2.1	87,445	2.5
Transportation and related expenses	12,626	0.5	16,394	0.5	25,563	0.6	16,125	0.5	21,533	0.6

	Year ended December 31,						Eight months ended August 31,			
	2021		2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*Unaudited*)	*%*	*RMB'000*	*%*
Administrative expenses	8,031	0.3	8,971	0.3	15,613	0.3	9,625	0.3	8,148	0.2
Professional service expenses	6,409	0.2	5,291	0.2	8,390	0.2	3,874	0.1	6,198	0.2
Listing expenses	–	–	–	–	8,493	0.2	–	–	11,959	0.3
Cleaning fees	5,948	0.2	8,744	0.3	14,870	0.3	9,265	0.3	9,531	0.3
Taxes and surcharges	5,430	0.2	8,802	0.3	9,184	0.2	6,779	0.2	8,484	0.2
Business development expenses	5,262	0.2	3,388	0.1	4,450	0.1	2,198	0.1	3,632	0.1
Impairment losses of property, plant and equipment and right-of-use assets	334	0.0	977	0.0	658	0.0	712	0.0	1,781	0.1
Others	15,042	0.6	11,093	0.3	18,586	0.4	10,830	0.5	9,011	0.2
Total	**130,772**	**4.9**	**148,365**	**4.6**	**210,575**	**4.6**	**124,738**	**4.1**	**167,722**	**4.7**

Other Net Income/(Losses)

Our other net income/(losses) mainly consisted of (i) net losses on disposal of property, plant and equipment and right-of-use assets, mainly representing losses from the scrapping of assets due to store closures, renovations and re-openings, (ii) COVID-19-related rent concessions received, (iii) changes in carrying amount of the redemption liability arising from the Pre-IPO investments, (iv) changes in fair value of the convertible bonds and derivative financial instruments, mainly representing fair value changes in the financial instruments issued to Harvest Delicacy in 2023, (v) exchange gains and (vi) other losses/(income). In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, we recorded other net income of RMB0.8 million, RMB1.6 million, other net losses of RMB4.9 million, RMB2.2 million and other net income of RMB19.4 million, respectively, representing 0.0%, 0.1%, -0.1%, -0.1% and 0.5% of our revenue for the respective periods.

Finance Costs

Our finance costs mainly consisted of (i) interest on bank loans, (ii) interest on lease liabilities and (iii) interest on provisions. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our finance costs were RMB24.3 million, RMB28.3 million, RMB31.6 million, RMB21.9 million and RMB27.1 million, respectively, representing 0.9%, 0.9%, 0.7%, 0.7% and 0.8% of our revenue for the respective periods.

Income Tax

Our income tax represented income tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction in which we operate or are domiciled. In 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, our income tax was RMB81.9 million, RMB112.2 million, RMB212.1 million, RMB158.7 million and RMB141.4 million, respectively.

In addition to applicable EIT rates, our effective income tax rates may also be affected by amounts relating to, among other things, expenses not deductible for tax purposes, income not taxable for tax purposes, tax losses not recognized, utilization of tax losses previously not recognized, withholding tax and under or over provision in respect of prior years. Our effective tax rate, calculated by dividing income tax by profit before taxation, was 26.5%, 32.1%, 28.5%, 28.7% and 26.1% in 2021, 2022, 2023 and the eight months ended August 31, 2023 and 2024, respectively. During the Track Record Period and as of the Latest Practicable Date, we fulfilled all of our tax obligations and did not have any unresolved tax disputes.

Cayman Islands and British Virgin Islands (BVI)

Pursuant to the tax rules and regulations of the Cayman Islands and the BVI, we are not subject to any income tax in the Cayman Islands and the BVI.

Hong Kong

The applicable profits tax rate of our subsidiaries incorporated in Hong Kong was 16.5% for the Track Record Period.

Our subsidiaries in Hong Kong did not have any assessable profits the Track Record Period.

The PRC

Taxable income for our subsidiaries in the PRC was subject to a PRC income tax rate of 25% for the Track Record Period, unless otherwise specified below.

For the years ended December 31, 2021 and 2022, certain of our subsidiaries fulfilled the criteria required for a preferential income tax rate granted to small and low profit-making enterprises in the PRC, and were entitled to a preferential income tax rate of 2.5% on taxable income for the first RMB1 million and 10% and 5% on taxable income for the subsequent RMB1 million to RMB3 million for the year ended December 31, 2021 and December 31, 2022, respectively.

For the year ended December 31, 2023 and the eight months ended August 31, 2024, certain of our subsidiaries fulfilled the criteria required for a preferential income tax rate granted to small and low profit-making enterprises in the PRC, and were entitled to a preferential income tax rate of 5% on taxable income for the first RMB1 million and 5% on taxable income for the subsequent RMB1 million to RMB3 million.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Eight Months Ended August 31, 2024 Compared with the Eight Months Ended August 31, 2023

Revenue

Our revenue increased by 15.4% from RMB3,070.3 million in the eight months ended August 31, 2023 to RMB3,544.0 million in the eight months ended August 31, 2024, primarily reflecting an increase of RMB109.7 million in our restaurant operations and an increase of RMB359.7 million in our delivery business.

Restaurant Operations

Revenue from our restaurant operations increased by 5.2% from RMB2,112.7 million in the eight months ended August 31, 2023 to RMB2,222.3 million in the eight months ended August 31, 2024, primarily due to an increase in the number of restaurants in operation, as we had 636 *Xiaocaiyuan* restaurants in operation as of August 31, 2024 as compared to 471 *Xiaocaiyuan* restaurants as of August 31, 2023, partially offset by a decrease in our same store sales from dine-in customers from RMB1,844.7 million in the eight months ended August 31, 2023 to RMB1,507.5 million in the eight months ended August 31, 2024, mainly attributable to (i) the base effect as a result of the rapid surge in spendings of consumers in China's catering market during the first several months in 2023 following the gradual phasing-out of the COVID-19 pandemic, which was in line with the spending patterns in other consumer sectors according to Frost & Sullivan, and (ii) our adjustments to the menu item prices to accommodate the preferences of consumers, demonstrating our long-term commitment to bringing cost-effective experience to our customers.

Delivery Business

Revenue from our delivery business increased by 37.7% from RMB953.3 million in the eight months ended August 31, 2023 to RMB1,313.0 million in the eight months ended August 31, 2024, primarily due to an increase in the number of our delivery orders of our *Xiaocaiyuan* restaurants from 11.8 million in the eight months ended August 31, 2023 to 18.4 million in the eight months ended August 31, 2024, attributable to (i) an increase in the number of restaurants which offered delivery service aligned with the expansion of our restaurant network, and (ii) our increasing promotional activities on online food delivery platforms to promote our delivery business.

Other revenue

Our other revenue increased by 36.1% from RMB21.6 million in the eight months ended August 31, 2023 to RMB29.4 million in the eight months ended August 31, 2024, primarily due to an increase in interest income as a result of an increase in our bank deposits, partially offset by a decrease in government grants in one-off nature.

Raw Materials and Consumables Used

Our raw materials and consumables used increased by 18.9% from RMB959.1 million in the eight months ended August 31, 2023 to RMB1,140.5 million in the eight months ended August 31, 2024, aligned with our revenue growth in the same period. Our raw materials and consumables used as a percentage of our revenue increased from 31.2% in the eight months ended August 31, 2023 to 32.2% in the eight months ended August 31, 2024, primarily due to the increase in our raw materials and consumables used was larger than the increase in revenue as we proactively adjusted the menu item prices to accommodate the preferences of consumers, demonstrating our long-term commitment to bringing cost-effective experience to our customers.

Staff Costs

Our staff costs increased by 9.3% from RMB897.6 million in the eight months ended August 31, 2023 to RMB980.9 million in the eight months ended August 31, 2024, primarily due to an increase in the number of our employees due to the expansion of our restaurant network. Our staff costs as a percentage of our revenue remained relatively stable at 29.2% in the eight months ended August 31, 2023 and 27.7% in the eight months ended August 31, 2024.

Depreciation of Right-of-use Assets

Our depreciation of right-of-use assets increased by 37.8% from RMB122.0 million in the eight months ended August 31, 2023 to RMB168.1 million in the eight months ended August 31, 2024, primarily due to an increase in the number of our restaurants in operation. Our depreciation of right-of-use assets as a percentage of our revenue remained relatively stable at 4.0% in the eight months ended August 31, 2023 and 4.7% in the eight months ended August 31, 2024.

Depreciation and Amortization of Other Assets

Our depreciation and amortization of other assets increased by 32.6% from RMB85.4 million in the eight months ended August 31, 2023 to RMB113.3 million in the eight months ended August 31, 2024, primarily due to an increase in the number of our restaurants in operation. Our depreciation and amortization of other assets as a percentage of our revenue remained relatively stable at 2.8% in the eight months ended August 31, 2023 and 3.2% in the eight months ended August 31, 2024.

Other Rentals and Related Expenses

Our other rentals and related expenses increased by 80.4% from RMB35.0 million in the eight months ended August 31, 2023 to RMB63.1 million in the eight months ended August 31, 2024, primarily due to an increase in lease payments for leases with a term of 12 months or less in relation to the expansion of our restaurant network.

Utility Expenses

Our utility expenses increased by 25.7% from RMB91.9 million in the eight months ended August 31, 2023 to RMB115.5 million in the eight months ended August 31, 2024, primarily due to an increase in the number of restaurants in operation.

Advertising and Promotion Expenses

Our advertising and promotion expenses increased by 36.4% from RMB31.9 million in the eight months ended August 31, 2023 to RMB43.5 million in the eight months ended August 31, 2024, primarily due to an increase in promotional activities on online food delivery platforms in line with the growth of our delivery business.

Delivery Service Expenses

Our delivery service expenses increased by 38.7% from RMB166.7 million in the eight months ended August 31, 2023 to RMB231.1 million in the eight months ended August 31, 2024, which was in line with the increase in revenue generated from our delivery business. Our delivery service expenses as a percentage of our revenue increased from 5.4% in the eight months ended August 31, 2023 to 6.5% in the eight months ended August 31, 2024, which was in relation to the increase in the revenue generated by our delivery business as a percentage of our total revenue from 31.1% in the eight months ended August 31, 2023 to 37.0% in the eight months ended August 31, 2024.

Other Expenses

Our other expenses increased by 34.5% from RMB124.7 million in the eight months ended August 31, 2023 to RMB167.7 million in the eight months ended August 31, 2024, primarily due to (i) an increase in property management expenses and transportation and related expenses as a result of the expansion of our restaurant network, and (ii) an increase in professional service expenses and listing expenses in relation to our Global Offering.

Other Net Income/(Losses)

We recorded other net losses of RMB2.2 million in the eight months ended August 31, 2023 and recorded other net income of RMB19.4 million in the eight months ended August 31, 2024, which was primarily due to a gain in changes in fair value of the convertible bonds and derivative financial instruments in the eight months ended August 31, 2024, partially offset by a loss in changes in carrying amount of the redemption liability in the eight months ended August 31, 2024, in relation to the financial instruments issued to Harvest Delicacy in 2023 and 2024.

Finance Costs

Our finance costs increased by 23.7% from RMB21.9 million in the eight months ended August 31, 2023 to RMB27.1 million in the eight months ended August 31, 2024, primarily due to an increase in interest on lease liabilities in line with the increase in the number of our leases as a result of the expansion of our restaurant network, partially offset by a decrease in interest on bank loans from a decrease in our bank loans.

Income Tax

Our income tax decreased by 10.9% from RMB158.7 million in the eight months ended August 31, 2023 to RMB141.4 million in the eight months ended August 31, 2024, primarily due to a decrease in our profit before taxation. Our effective tax rate, calculated by dividing our income tax by our profit before taxation, decreased from 28.7% in the eight months ended August 31, 2023 to 26.1% in the eight months ended August 31, 2024, primarily due to an increase in profits from our subsidiaries that enjoyed preferential income tax rates in the eight months ended August 31, 2024.

Profit for the Period

As a result of the cumulative effect of the above factors, our profit for the period remained relatively stable RMB394.8 million in the eight months ended August 31, 2023 and RMB400.6 million in the eight months ended August 31, 2024.

Year Ended December 31, 2023 Compared with the Year Ended December 31, 2022

Revenue

Our revenue increased by 41.6% from RMB3,213.4 million in 2022 to RMB4,549.4 million in 2023, primarily reflecting an increase of RMB867.7 million in our restaurant operations and an increase of RMB461.8 million in our delivery business.

Restaurant Operations

Revenue from our restaurant operations increased by 39.7% from RMB2,183.4 million in 2022 to RMB3,051.1 million in 2023, primarily due to (i) an increase in the number of restaurants in operation, as we had 536 *Xiaocaiyuan* restaurants in operation as of December 31, 2023 as compared to 419 *Xiaocaiyuan* restaurants as of December 31, 2022, and (ii) an increase in our same store sales from dine-in customers from RMB1,750.7 million in 2022 to RMB2,080.9 million in 2023, as evidenced by an increase in average same store dine-in customers served per day from 247.7 in 2022 to 286.2 in 2023, primarily as a result of (a) our enhanced service capabilities and our increasing popularity and recognition in the market, (b) our dedication to designing, updating and diversifying our menu items, and (c) recovery of our dine-in customer traffic following the gradual phasing-out of the COVID-19 pandemic since early 2023.

Delivery Business

Revenue from our delivery business increased by 44.9% from RMB1,029.5 million in 2022 to RMB1,491.3 million in 2023, primarily due to (i) an increase in the number of restaurants which offered delivery service aligned with the expansion of our restaurant network, and (ii) an increase in same store sales from delivery business from RMB799.1 million in 2022 to RMB998.7 million in 2023, as evidenced by (a) an increase in the number of delivery orders of our *Xiaocaiyuan* restaurants from 13.8 million in 2022 to 18.9 million in 2023, and (b) an increase in the overall average spending per delivery order of our *Xiaocaiyuan* restaurants from RMB74.5 in 2022 to RMB78.6 in 2023. Such increases were primarily due to (i) introduction of more innovative and diversified menu items and combos to satisfy different consumers' food consumption habits and preferences based on consumer data analysis empowered by our enhanced digitalization capabilities and (ii) increased promotional activities.

Other Revenue

Our other revenue increased by 54.0% from RMB28.5 million in 2022 to RMB43.8 million in 2023, primarily due to an increase in interest income as a result of an increase in our bank deposits, and an increase in government grants.

Raw Materials and Consumables Used

Our raw materials and consumables used increased by 31.8% from RMB1,087.9 million in 2022 to RMB1,433.4 million in 2023, aligned with our revenue growth in the same period. Our raw materials and consumables used as a percentage of our revenue decreased from 33.9% in 2022 to 31.5% in 2023, primarily due to (i) our enhanced procurement cost control through further expansion of our centralized procurement of food ingredients and (ii) our increasing bargaining power which allows us to negotiate better procurement prices with our suppliers.

Staff Costs

Our staff costs increased by 37.6% from RMB969.9 million in 2022 to RMB1,334.2 million in 2023, primarily due to (i) an increase in the number of our employees due to the expansion of our restaurant network and (ii) the improvement of our employee benefits and welfare schemes. Our staff costs as a percentage of our revenue remained relatively stable at 30.2% in 2022 and 29.4% in 2023.

Depreciation of Right-of-use Assets

Our depreciation of right-of-use assets increased by 13.9% from RMB172.3 million in 2022 to RMB196.3 million in 2023, primarily due to an increase in the number of our restaurants in operation. Our depreciation of right-of-use assets as a percentage of our revenue decreased from 5.4% in 2022 to 4.3% in 2023, primarily because (i) we were able to secure more favorable terms with landlords through our strengthened bargaining power as a result of our increased brand awareness and (ii) the growth in our revenue generated from our existing restaurants exceeded the increase in the depreciation charges of those restaurants as a result of our enhanced service capabilities and our increasing popularity and recognition in the market.

Other Rentals and Related Expenses

Our other rentals and related expenses increased by 1.9% from RMB57.4 million in 2022 to RMB58.5 million in 2023, primarily due to an increase in variable lease payments in relation to the expansion of our restaurant network, partially offset by a decrease in our lease payments for leases with a term of 12 months or less.

Depreciation and Amortization of Other Assets

Our depreciation and amortization of other assets increased by 17.2% from RMB114.3 million in 2022 to RMB133.9 million in 2023, primarily relating to an increase in property and plant in relation to the expansion of our restaurant network. Our depreciation and amortization of other assets as a percentage of our revenue decreased from 3.6% in 2022 to 2.9% in 2023, primarily because the increase in our revenue was larger than the increase in the depreciation and amortization of property and plant.

Utility Expenses

Our utility expenses increased by 35.9% from RMB102.7 million in 2022 to RMB139.6 million in 2023, primarily relating to an increase in the number of restaurants in operation.

Advertising and Promotion Expenses

Our advertising and promotion expenses increased by 78.5% from RMB27.0 million in 2022 to RMB48.3 million in 2023, primarily due to an increase in promotional activities on online food delivery platforms in line with the growth of our delivery business.

Delivery Service Expenses

Our delivery service expenses increased by 39.1% from RMB185.4 million in 2022 to RMB257.9 million in 2023, which was in line with the increase in revenue generated from our delivery business. Our delivery service expenses as a percentage of our revenue remained relatively stable at 5.8% in 2022 and 5.7% in 2023.

Other Expenses

Our other expenses increased by 41.9% from RMB148.4 million in 2022 to RMB210.6 million in 2023, primarily due to (i) an increase in property management expenses, transportation and related expenses and cleaning fees as a result of the expansion of our restaurant network, (ii) an increase in administrative expenses due to an increase in the number of internal conferences and events held following the gradual phasing-out of COVID-19 pandemic since early 2023 and (iii) an increase in listing expenses in 2023.

Other Net Income/(Losses)

We recorded other net income of RMB1.6 million in 2022, while we recorded other net losses of RMB4.9 million in 2023, primarily because (i) we recorded a loss in changes in fair value of the convertible bonds and derivative financial instruments and a loss in changes in carrying amount of the redemption liability in relation to the financial instruments issued to Harvest Delicacy in 2023, and (ii) we did not receive any COVID-19-related rent concessions following the gradual phasing-out of the COVID-19 pandemic since early 2023.

Finance Costs

Our finance costs increased by 11.4% from RMB28.3 million in 2022 to RMB31.6 million in 2023, primarily due to an increase in interest on lease liabilities in line with the increase in the number of our leases as a result of the expansion of our restaurant network, partially offset by a decrease in interest on bank loans from a decrease in our bank loans.

Income Tax

Our income tax increased by 89.0% from RMB112.2 million in 2022 to RMB212.1 million in 2023, which was in line with our revenue growth and business expansion. Our effective tax rate, calculated by dividing our income tax by our profit before taxation, decreased from 32.1% in 2022 to 28.5% in 2023, primarily because the increase in our profit before taxation was larger than the increase in our income tax as a result of (i) an increase in the tax benefit of certain subsidiaries, because they were qualified for preferential tax treatment policies as small and low profit-making enterprises and (ii) a decrease in the tax effect of unused tax losses not recognized, because some of our subsidiaries utilized tax losses for deductions as they became profit-making in 2023.

Profit for the Period

As a result of the cumulative effect of the above factors, our profit increased by 124.0% from RMB237.6 million in 2022 to RMB532.1 million in 2023.

Year Ended December 31, 2022 Compared with the Year Ended December 31, 2021

Revenue

Despite the challenges brought by the COVID-19 pandemic to the catering market in China, we achieved resilient growth from 2021 to 2022. Our revenue increased by 21.5% from RMB2,645.8 million in 2021 to RMB3,213.4 million in 2022, surpassing the industry performance in China's mass Chinese cuisine market as the industry experienced a decrease in revenue in the same period, according to Frost & Sullivan. Such increase was primarily because (i) we consistently expanded our restaurant network by taking advantage of our standardization management and our strong execution capabilities, (ii) we proactively expanded our delivery business by designing, updating and diversifying our menu for delivery scenarios and improving our service capabilities to meet consumers' rising demand for food delivery services.

Restaurant Operations

Revenue from restaurant operations remained relatively stable at RMB2,235.2 million in 2021 and RMB2,183.4 million in 2022, primarily attributable to an increase in the number of our restaurants in operation as we opened 48 new restaurants in 2022, partially offset by a decrease in same store sales derived from dine-in customers from RMB1,730.8 million in 2021 to RMB1,423.9 million in 2022, mainly attributable to a decrease in average same store daily dine-in customers served per day from 306.1 to 258.6 as a result of the impact brought by the COVID-19 pandemic on dine-in consumptions, while overall average spending per dine-in customer remained relatively stable at RMB66.1 in 2021 and RMB65.8 in 2022 due to our consistent commitment to quality, service and development.

Delivery Business

Revenue from our delivery business increased by 151.4% from RMB409.5 million in 2021 to RMB1,029.5 million in 2022, primarily due to (i) an increase in the number of restaurants which offered delivery service aligned with the expansion of our restaurant network, and (ii) an increase in same store sales from delivery business from RMB313.5 million in 2021 to RMB644.4 million in 2022, as evidenced by an increase in the number of delivery orders of our *Xiaocaiyuan* restaurants by nearly twofold from 4.8 million in 2021 to 13.8 million in 2022 because we proactively adapted our business strategies by expanding the delivery business during the COVID-19 pandemic, partially offset by a decrease in the overall average spending per delivery order of our *Xiaocaiyuan* restaurants from RMB85.0 in 2021 to RMB74.5 in 2022, primarily due to increasing orders of combos and menu items for one-person consumption that we developed and offered at a lower price, in order to diversify our delivery menu items and broaden the price ranges of our delivery menus.

Other Revenue

Our other revenue increased by 173.2% from RMB10.4 million in 2021 to RMB28.5 million in 2022, primarily due to (i) an increase in government grants because we received a one-off payment of value-added tax refund that local governments granted to ease the impact of the COVID-19 pandemic and (ii) an increase in investment income on wealth management products.

Raw Materials and Consumables Used

Our raw materials and consumables used increased by 19.2% from RMB913.0 million in 2021 to RMB1,087.9 million in 2022 aligned with our revenue growth in the same period. Our raw materials and consumables used as a percentage of our revenue decreased to 33.9% in 2022 as compared to 34.5% in 2021, primarily due to (i) our enhanced procurement cost control through further expansion of our centralized procurement of food ingredients and (ii) our increasing bargaining power which allows us to negotiate better procurement prices with our suppliers.

Staff Costs

Our staff costs increased by 16.6% from RMB832.0 million in 2021 to RMB969.9 million in 2022, primarily due to (i) an increase in the number of our employees due to the expansion of our restaurant network and (ii) the improvement of our employee benefits and welfare schemes. Our staff costs as a percentage of our revenue remained relatively stable at 31.4% in 2021 and 30.2% in 2022.

Depreciation of Right-of-use Assets

Our depreciation of right-of-use assets increased by 17.7% from RMB146.4 million in 2021 to RMB172.3 million in 2022, primarily due to an increase in the number of our restaurants in operation. Our depreciation of right-of-use assets as a percentage of our revenue remained relatively stable at 5.5% and 5.4% in 2021 and 2022.

Other Rentals and Related Expenses

Our other rentals and related expenses increased by 12.1% from RMB51.2 million in 2021 to RMB57.4 million in 2022, primarily due to (i) an increase in our leases of low-value assets due to an increase in the number of our restaurants and (ii) an increase in the revenue of certain restaurants with variable lease arrangements, partially offset by the COVID-19-related rent concession enjoyed by certain restaurants in 2022.

Depreciation and Amortization of Other Assets

Our depreciation and amortization of other assets increased by 21.7% from RMB94.0 million in 2021 to RMB114.3 million in 2022, primarily due to an increase in property and plant in relation to the expansion of our restaurant network. Our depreciation and amortization of other assets as a percentage of our revenue remained relatively stable at 3.6% in 2021 and 2022.

Utility Expenses

Our utility expenses increased by 38.1% from RMB74.4 million in 2021 to RMB102.7 million in 2022, primarily due to an increase in the number of restaurants in operation.

Advertising and Promotion Expenses

Our advertising and promotion expenses increased by 229.9% from RMB8.2 million in 2021 to RMB27.0 million in 2022, primarily due to an increase in (i) promotion activities for our restaurants, such as publicity and advertisements on highways and high-speed trains, and (ii) promotional activities for delivery business, such as advertisements on online food delivery platforms.

Delivery Service Expenses

Our delivery service expenses increased by 151.7% from RMB73.7 million in 2021 to RMB185.4 million in 2022, which was in line with the increase in the revenue generated by our delivery business. Our delivery service expenses as a percentage of our revenue increased from 2.8% in 2021 to 5.8% in 2022, which was in line with the significant increase in the revenue generated by our delivery business as a percentage of our total revenue from 15.5% in 2021 to 32.0% in 2022.

Other Expenses

Our other expenses increased by 13.5% from RMB130.8 million in 2021 to RMB148.4 million in 2022, primarily due to an increase in property management expenses as a result of an increase in the number of our restaurants.

Other Net Income/(Losses)

Our other net income increased by 112.4% from RMB0.8 million in 2021 to RMB1.6 million in 2022, primarily due to an increase in COVID-19-related rent concessions received in 2022, partially offset by an increase in our net loss on disposal of property, plant and equipment as a result of the disposal of certain equipment at restaurants in 2022, which was one-off in nature.

Finance Costs

Our finance costs increased by 16.6% from RMB24.3 million in 2021 to RMB28.3 million in 2022, primarily due to an increase in interest on lease liabilities, which was in line with the increase in the number of our leases as a result of the expansion of our restaurant network and an increase in interest on bank loans in line with an increase in our bank loans.

Income Tax

Our income tax increased by 37.0% from RMB81.9 million in 2021 to RMB112.2 million in 2022, which was in line with our revenue growth and business expansion. Our effective tax rate, calculated by dividing our income tax by our profit before taxation, increased from 26.5% in 2021 to 32.1% in 2022, primarily due to a withholding tax accrued in 2022 on dividends expected to be declared to the shareholders of the Group.

Profit for the Year

As a result of the cumulative effect of the above factors, our profit for the year increased by 4.6% from RMB227.1 million in 2021 to RMB237.6 million in 2022.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Non-Current Assets/(Liabilities)

The following table sets out our non-current assets and liabilities as of the dates indicated:

	As of December 31,			As of August 31,
	2021	2022	2023	2024
		(RMB'000)		
Non-current assets				
Property, plant and equipment	415,078	425,990	583,120	700,631
Right-of-use assets	520,373	492,656	694,092	793,344
Intangible assets	4,229	3,220	2,912	2,871
Deferred tax assets	–	–	–	4,601
Rental deposit	30,656	30,059	39,765	46,589
Total non-current assets	**970,336**	**951,925**	**1,319,889**	**1,548,036**

	As of December 31,			As of August 31,
	2021	2022	2023	2024
	(RMB'000)			
Non-current liabilities				
Lease liabilities	377,132	352,307	518,960	608,563
Provisions	18,115	20,135	24,962	27,975
Deferred tax liabilities	4,466	23,116	10,137	–
Redemption liability	–	–	413,242	535,685
Derivative financial instruments	–	–	88,650	66,700
Total non-current liabilities	**399,713**	**395,558**	**1,055,951**	**1,238,923**

Property, Plant and Equipment

Our property, plant and equipment costs primarily consisted of buildings, kitchen equipment, electronic equipment and others, construction in progress and leasehold improvements.

The following table sets out a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of August 31,
	2021	2022	2023	2024
	(RMB'000)			
Buildings	12,221	60,654	57,593	55,549
Kitchen equipment	76,386	75,871	113,895	155,264
Electronic equipment and others	43,071	53,278	81,696	93,747
Construction in progress	56,675	26,850	66,365	71,890
Leasehold improvements	226,725	209,337	263,571	324,181
Total	**415,078**	**425,990**	**583,120**	**700,631**

Our property, plant and equipment increased by 2.6% from RMB415.1 million as of December 31, 2021 to RMB426.0 million as of December 31, 2022, and increased by 36.9% to RMB583.1 million as of December 31, 2023 and further increased by 20.2% to RMB700.6 million as of August 31, 2024, primarily due to the expansion of our restaurant network.

Our Directors consider each individual restaurant a single cash generating unit ("**CGU**") and assess the impairment indicators at the end of each reporting period by reviewing internal and external sources of information. If any such indicator exists, our Directors estimate the recoverable amount of those CGUs. The recoverable amount of each CGU is determined based on the higher of fair value less cost of disposal or the value-in-use calculations by preparing cash flow projections of the relevant CGUs derived from the most recent financial forecast approved by the management covering the remaining lease term. The cash flows were discounted using a discount rate of 13.5%, 14.5%, 14.3% and 14.0% as at December 31, 2021, 2022 and 2023 and August 31, 2024, respectively. The discount rates used were pre-tax and reflected specific risks relating to the relevant CGU. During the years ended December 31, 2021, 2022 and 2023 and the eight months ended August 31, 2024, an impairment loss of RMB334,000, RMB977,000, RMB658,000 and RMB1,781,000 was recognized, respectively, as the carrying amount of certain CGUs exceeded their recoverable amount. The impairment loss was allocated to the assets in related restaurant including right-of-use assets, leasehold improvement and other property, plant and equipment within CGU on a pro rata basis.

Right-of-use Assets

Our right-of-use assets consisted of the leases for our restaurants. Our right-of-use assets decreased by 5.3% from RMB520.4 million as of December 31, 2021 to RMB492.7 million as of December 31, 2022, primarily due to the depreciation of right-of-use assets recognized during the period. Our right-of-use assets increased by 40.9% to RMB694.1 million as of December 31, 2023 and increased by 14.3% to RMB793.3 million as of August 31, 2024, mainly attributed to an increase in the number of restaurants and land acquisition of our new central kitchen in Ma'anshan in January 2024.

Net Current Assets and Liabilities

The following table sets out our current assets and liabilities as of the dates indicated:

	As of December 31,			As of August 31, 2024	As of October 31, 2024
	2021	2022	2023		
			(RMB'000)		*(Unaudited)*
Current assets					
Inventories	58,088	84,771	104,898	98,313	109,547
Trade and other receivables	125,632	185,439	270,137	222,819	212,770
Financial assets at FVPL	19,500	5,000	–	225,572	214,000
Restricted bank deposits	6,000	13,000	25,000	15,000	–
Cash and cash equivalents	20,371	63,001	620,153	596,281	593,845
Total current assets	**229,591**	**351,211**	**1,020,188**	**1,157,985**	**1,130,162**

	As of December 31,			As of August 31,	As of October 31,
	2021	2022	2023	2024	2024
			(RMB'000)		
					(Unaudited)
Current liabilities					
Bank loans and other borrowings	39,461	113,438	50,000	30,470	–
Trade and other payables	281,807	232,933	280,477	276,013	244,804
Dividend payable	150,000	–	–	–	–
Contract liabilities	48,401	57,803	67,860	67,918	67,832
Current taxation	32,940	24,087	70,526	61,932	41,263
Lease liabilities	145,099	154,427	192,171	218,046	222,771
Total current liabilities	**697,708**	**582,688**	**661,034**	**654,379**	**576,670**
Net current (liabilities)/assets	**(468,117)**	**(231,477)**	**359,154**	**503,606**	**553,492**

Our net current assets increased from RMB503.6 million as of August 31, 2024 to RMB553.5 million as of October 31, 2024, primarily due to (i) a decrease in trade and other payables primarily because we accelerated settlement with our suppliers, (ii) a decrease in bank loans and other borrowings resulting from our repayment of bank loans and (iii) a decrease in current taxation.

Our net current assets increased from RMB359.2 million as of December 31, 2023 to RMB503.6 million as of August 31, 2024, primarily due to (i) an increase in financial assets at FVPL resulting from our purchase of wealth management products in 2024 and (ii) a decrease in bank loans and other borrowings resulting from our repayment of bank loans, partially offset by a decrease in trade and other receivables resulting from (a) a decrease in prepayments because we recorded relatively higher amount of prepayment as of December 31, 2023 resulting from the prepayments we made to several key suppliers for food ingredient procurement at the end of 2023 in preparation for the Chinese New Year and (b) a decrease in other receivables and deposits because we recorded RMB12.1 million of other receivables as of December 31, 2023 in relation to security deposits for land auction for our new central kitchen in Ma'anshan, which was reclassified as right-of-use assets following our successful bid in January 2024.

We recorded net current assets of RMB359.2 million as of December 31, 2023 as compared to net current liabilities of RMB231.5 million as of December 31, 2022, primarily attributable to (i) an increase in cash and cash equivalents in relation to the proceeds from the Pre-IPO Investments and cash generated from operating activities, (ii) an increase in trade and other receivables as a result of an increase in prepayments for rental and property management expenses and food ingredient procurement as a result of an increase in the number of our restaurants and (iii) a decrease in bank loans and other borrowings because we repaid certain loans in 2023 in light of our sufficient working capital generated from our operations, partially offset by an increase in trade and other payables as a result of an increase in other payables and accrued charges primarily due to an increase in payables relating to restaurant renovations in line with the expansion of our restaurant network, an increase in trade payables to our food ingredient suppliers in line with our business expansion and an increase in staff cost payable due to an increase in the number of our employees.

Our net current liabilities decreased from RMB468.1 million as of December 31, 2021 to RMB231.5 million as of December 31, 2022, primarily due to (i) a decrease in dividend payable because we declared dividends of RMB150.0 million in 2021 and settled such dividends in 2022, (ii) an increase in trade and other receivables as a result of an increase in our rental deposits for our restaurants and employee dormitories in line with the expansion of our restaurant network and an increase in security deposits paid to our suppliers, and (iii) an increase in cash and cash equivalents as a result of our revenue growth, partially offset by an increase in bank loans and other borrowings as a result of our business expansion.

Inventories

Our inventories primarily consisted of food ingredients, condiment product, beverage and others. All of our inventories were aged within one year throughout the Track Record Period. The following table sets out a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of August 31,
	2021	2022	2023	2024
	(RMB'000)			
Food ingredients	41,779	63,082	80,567	74,062
Condiment product	6,799	11,133	10,051	10,055
Beverage	3,315	2,955	3,524	3,765
Others	6,195	7,601	10,756	10,431
Total	**58,088**	**84,771**	**104,898**	**98,313**

Our inventories increased by 45.9% from RMB58.1 million as of December 31, 2021, to RMB84.8 million as of December 31, 2022, primarily due to an increase in food ingredients and condiment product as a result of the expansion of our restaurant network as we opened 48 new restaurants in 2022, requiring us to maintain inventories at these restaurants. Our inventories further increased by 23.7% from RMB84.8 million as of December 31, 2022, to RMB104.9 million as of December 31, 2023, mainly attributed to an increase in food ingredients and material consumables as a result of the expansion of our restaurant network as we opened 132 restaurants in 2023. Our inventories decreased from RMB104.9 million as of December 31, 2023 to RMB98.3 million as of August 31, 2024, primarily due to lower storage levels for food ingredients as compared to year-end because we generally anticipated increasing consumption demand around new year holidays.

As of October 31, 2024, RMB81.9 million, or 83.3% of inventories as of August 31, 2024, had been used, consumed or sold subsequent to August 31, 2024.

The following table sets forth our inventory turnover days for the Track Record Period:

	Year ended December 31,			Eight months ended August 31,
	2021	2022	2023	2024
Inventory turnover days[1]	18.9	24.0	24.1	21.7

Note:

(1) Inventory turnover days are calculated using the average of opening balance and closing balance of inventory for a year divided by raw materials and consumables used for the relevant year and multiplied by 365 days for the years 2021, 2022 and 2023, and by 244 days for the eight months ended August 31, 2024.

Our inventory turnover days increased from 18.9 days in 2021 to 24.0 days in 2022, primarily due to (i) an increase in the amount of raw materials and consumables stored in warehouses as a result of further expansion of our centralized procurement of food ingredients and (ii) increased storage capacity as a result of the extended service radius of our warehouses supported by our own transportation fleet. Our inventory turnover days remained relatively stable at 24.0 days in 2022, 24.1 days in 2023. Our inventory turnover days decreased to 21.7 days in the eight months ended August 31, 2024 primarily due to our enhanced inventory management capabilities.

Trade and Other Receivables

Our trade and other receivables primarily consisted of (i) trade debtors, which primarily represented receivables from third-party payment platforms such as Alipay and WeChat Pay and third-party delivery services platforms, (ii) other receivables and deposits, which primarily represented rental deposits for our restaurants and employee dormitories and other deposits relating to our business operations such as security deposits paid to our suppliers, (iii) prepayments, which primarily represented prepayments for rental and property management expenses, utilities expenses and food ingredient procurement and (iv) value-added tax recoverable, mainly representing certain tax recoverable in relation to food ingredients and property, plant and equipment that we procure. We had trade and other receivables of RMB125.6 million, RMB185.4 million, RMB270.1 million and RMB222.8 million as of December 31, 2021, 2022, 2023 and August 31, 2024.

The following table sets out a breakdown of our trade and other receivables as of the dates indicated:

	As of December 31,			As of August 31,
	2021	2022	2023	2024
		(RMB'000)		
Trade debtors	17,284	27,071	33,707	31,376
Other receivables and deposits	28,911	61,154	88,901	73,790
Prepayments	75,829	87,356	134,107	106,834
Value-added tax recoverable	3,608	9,858	13,422	10,819
Total	**125,632**	**185,439**	**270,137**	**222,819**

Trade debtors

The majority of our trade debtors were primarily in connection with (i) bills settled through third-party payment platforms such as Alipay or WeChat Pay, which were normally settled within a short period of time and (ii) bills for our delivery business settled through online food delivery platforms, which were normally settled within three calendar days. Our trade debtors increased from RMB17.3 million as of December 31, 2021 to RMB27.1 million as of December 31, 2022, and further increased to RMB33.7 million as of December 31, 2023, primarily due to an increase in trade debtors from online food delivery platforms in line with the growth of our delivery business during the Track Record Period. Our trade debtors decreased to RMB31.4 million as of August 31, 2024, primarily due to our adjustment of settlement period for bills settled through a third-party payment platform.

The following table sets forth our trade debtors turnover days for the Track Record Period:

	Year ended December 31,			Eight months ended August 31,
	2021	**2022**	**2023**	**2024**
Trade debtors turnover days[(1)]	1.9	2.5	2.4	2.2

Note:

(1) Trade debtors turnover days are calculated using the average of opening balance and closing balance of trade debtors for a year divided by revenue and multiplied by 365 days for the years 2021, 2022 and 2023, and by 244 days for the eight months ended August 31, 2024.

Our trade debtors turnover days were primarily affected by the settlement periods with third-party payment platforms and third-party delivery services platforms. Our trade debtors turnover days increased from 1.9 days in 2021 to 2.5 days in 2022, primarily due to an increase in the number of delivery orders and the relatively longer turnover period for online food delivery platforms. Our trade debtors turnover days remained relatively stable at 2.5 days in 2022, 2.4 days in 2023 and 2.2 days in the eight months ended August 31, 2024, respectively.

As of October 31, 2024, RMB29.9 million, or 95.5%, of our trade debtors as of August 31, 2024 had been settled subsequent to August 31, 2024.

Other receivables and deposits

Our other receivables and deposits primarily consisted of rental deposits for our restaurants and employee dormitories, and security deposits paid to our suppliers as security for our performance of obligations under supply agreements. Our other receivables and deposits increased from RMB28.9 million as of December 31, 2021 to RMB61.2 million as of December 31, 2022, primarily due to (i) an increase in our rental deposits as a result of the expansion of our restaurant network and (ii) an increase in security deposits paid to our suppliers. Our other receivables and deposits further increased to RMB88.9 million as of December 31, 2023, primarily due to an increase in our rental deposits for our restaurants and employee dormitories as a result of the expansion of our restaurant network. Our other receivables and deposits decreased by 17.0% to RMB73.8 million as of August 31, 2024, mainly because we recorded RMB12.1 million of other receivables as of December 31, 2023 in relation to security deposits for land auction for our new central kitchen in Ma'anshan, which was reclassified as right-of-use assets following our successful bid in January 2024.

Prepayments

Our prepayments primarily consist of prepayments for rental and property management expenses, utilities expenses and food ingredient procurement. Our prepayments increased from RMB75.8 million as of December 31, 2021 to RMB87.4 million as of December 31, 2022, and further increased to RMB134.1 million as of December 31, 2023, primarily due to an increase in prepayments for rental and property management expenses and food ingredient procurement as a result of an increase in the number of our restaurants. Our prepayments decreased to RMB106.8 million as of August 31, 2024, primarily because we recorded relatively higher amount of prepayment as of December 31, 2023 resulting from the prepayments we made to several key suppliers for food ingredient procurement at the end of 2023 in preparation for the Chinese New Year.

Financial assets at fair value through profit or loss ("FVPL")

Our financial assets at FVPL consisted of low-risk wealth management products. During the Track Record Period, we invested in wealth management products issued by banks, which were short-term and non-principal protected investments with no predetermined or guaranteed return. These financial assets had expected rates of return, which were not guaranteed and depended on the market price of underlying financial instruments, including listed shares, bonds and notes. Our financial assets at FVPL were RMB19.5 million as of December 31, 2021 and RMB5.0 million as of December 31, 2022, representing the balance of two different wealth management products we invested in with a short term of one year. Our financial assets at FVPL were nil as of December 31, 2023, because we redeemed all of our short-term wealth management investments in 2023. Our financial assets at FVPL increased to RMB225.6 million as of August 31, 2024, primarily due to our purchase of wealth management products in 2024. We intend to continue to invest in low-risk wealth management products and we will ensure that all such investments comply with the applicable laws and regulations, including the relevant requirements under Chapter 14 of the Listing Rules after the Listing.

Trade and other payables

Our trade and other payables primarily represented trade payables, staff cost payable, amounts due to related parties, other taxes payable and other payables and accrued charges. We had trade and other payables of RMB281.8 million, RMB232.9 million, RMB280.5 million and RMB276.0 million as of December 31, 2021, 2022, 2023 and August 31, 2024, respectively.

The following table sets out a breakdown of our trade and other payables as of the dates indicated:

	As of December 31,			As of August 31,
	2021	2022	2023	2024
	(RMB'000)			
Trade payables	87,464	65,256	81,577	65,148
Staff cost payable	75,652	78,062	108,190	127,014
Other payables and accrued charges	28,502	46,009	82,152	73,071
Other taxes payable	5,427	7,039	8,558	10,780
Amounts due to related parties	84,762	36,567	–	–
Total	**281,807**	**232,933**	**280,477**	**276,013**

Trade payables

The majority of our trade payables were in connection with payables to our suppliers for raw materials and consumables and payables of utilities expenses. We generally settle payments with our suppliers within one month after we have received invoices from suppliers. Our trade payables decreased from RMB87.5 million as of December 31, 2021 to RMB65.3 million as of December 31, 2022, primarily because we settled certain payables to our suppliers. Our trade payables increased from RMB65.3 million as of December 31, 2022 to RMB81.6 million as of December 31, 2023, primarily due to an increase in payables to our food ingredient suppliers in line with our business expansion. Our trade payables decreased to RMB65.1 million as of August 31, 2024, primarily because we accelerated settlement with our suppliers. The following table sets forth our trade payables turnover days during the Track Record Period:

	Year ended December 31,			**Eight months ended August 31,**
	2021	**2022**	**2023**	**2024**
Trade payables turnover days[(1)]	33.4	25.6	18.7	15.7

Note:

(1) Trade payables turnover days are calculated using the average of opening balance and closing balance of trade payables for a year divided by raw materials and consumables used for the relevant year and multiplied by 365 days for the years 2021, 2022 and 2023, and by 244 days for the eight months ended August 31, 2024.

Our trade payables turnover days decreased from 33.4 days in 2021 to 25.6 days in 2022, decreased to 18.7 days in 2023 and further decreased to 15.7 days in eight months ended August 31, 2024, primarily due to an increase in the procurement of food ingredients through centralized procurement as a percentage of our total procurement during the Track Record Period, which facilitated our settlement process.

As of October 31, 2024, RMB65.1 million, or 99.9% of our trade payables as of August 31, 2024, had been settled subsequent to August 31, 2024.

Staff cost payable

Our staff cost payable represented payables to employees including salaries, bonuses, insurances and housing provident fund. Our staff cost payable increased from RMB75.7 million as of December 31, 2021 to RMB78.1 million as of December 31, 2022, increased to RMB108.2 million as of December 31, 2023, and further increased to RMB127.0 million as of August 31, 2024, primarily due to an increase in the number of our employees as we continued to expand our restaurant network.

Other payables and accrued charges

Our other payables and accrued charges were comprised of payables relating to restaurant renovations and procurement of materials not related to our principal business. Our other payables and accrued charges increased from RMB28.5 million as of December 31, 2021 to RMB46.0 million as of December 31, 2022, and further increased to RMB82.2 million as of December 31, 2023, primarily due to an increase in payables relating to restaurant renovations in line with the expansion of our restaurant network. Our other payables and accrued charges decreased to RMB73.1 million as of August 31, 2024, primarily due to fewer planned restaurant renovations by the end of August compared to 2023 year-end, when we typically undertake more renovations due to holiday seasons.

Amounts due to related parties

Amounts due to related parties primarily represented (i) amounts due to Hongjingxuan Supply Chain for the advances of purchase of inventories and certain property, plant and equipment, and (ii) amounts due to Anhui Xiaocaiyuan Holding Company Limited, including consideration for the acquisition of Xiaocaiyuan Catering, non-trade related payables which are unsecured, interest-free and payable on demand, and the advances of purchase. Our amounts due to related parties decreased from RMB84.8 million as of December 31, 2021 to RMB36.6 million as of December 31, 2022, primarily because in 2022 we settled all of the outstanding amounts due to Anhui Xiaocaiyuan Holding Company Limited. Our amounts due to related parties decreased to nil as of December 31, 2023, as we settled all the outstanding amounts due to our related parties in June 2023. Our amounts due to related parties amounted to nil as of August 31, 2024.

Dividends payable

We declared dividends of RMB150.0 million to our equity shareholders in 2021 and settled such dividends in 2022. In 2023, we declared dividends of RMB135.3 million and settled such dividends in the same year. In the eight months ended August 31, 2024, we declared dividends of RMB187.5 million and settled such dividends during the same period.

Contract Liabilities

Our contract liabilities primarily represented (i) prepaid cards and (ii) estimated loyalty points arising from our membership reward system, which could be used in future dining in our restaurants by members of our membership reward system. Cash considerations received from our sales of prepaid cards are recognized as contract liabilities, while revenue is recognized upon the usage of the prepaid cards. Loyalty points are awarded to our consumers on dining in our restaurants that entitle them to offset the loyalty points on future purchases and dining in the restaurants and have an expiry term of one year. Revenue from the membership reward system is recognized when loyalty points are redeemed by consumers. Revenue for loyalty points that are not yet redeemed are recognized in proportion to the estimated pattern of rights exercised by consumers.

Our contract liabilities increased from RMB48.4 million as of December 31, 2021 to RMB57.8 million as of December 31, 2022, and further increased to RMB67.9 million as of December 31, 2023, primarily due to an increase in the sales of prepaid cards due to improved brand awareness and consumer acceptance. Our contract liabilities remained relatively stable at RMB67.9 million as of August 31, 2024.

The following table sets forth the movement in our contract liabilities as of the dates indicated:

	As of December 31,			As of August 31,
	2021	2022	2023	2024
	(RMB'000)			
At the beginning of the year/period	31,942	48,401	57,803	67,860
Net increase in contract liabilities during the year/period	48,401	57,803	67,860	67,918
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year/period	(31,942)	(48,401)	(57,803)	(67,860)
Balance at the end of the year/period	48,401	57,803	67,860	67,918

The following table sets out a breakdown of our contract liabilities as of the dates indicated:

	As of December 31,			As of August 31,
	2021	2022	2023	2024
	(RMB'000)			
Prepaid cards	47,803	57,402	66,604	65,834
Loyalty points	598	401	1,256	2,084
Total	**48,401**	**57,803**	**67,860**	**67,918**

In 2021, 2022, 2023 and the eight months ended August 31, 2024, we recognized revenue during the year/period that was included in the contract liabilities at the beginning of the year/period in relation to prepaid cards of RMB26.3 million, RMB42.1 million, RMB53.6 million and RMB61.6 million, respectively, and in relation to loyalty points of RMB5.6 million, RMB6.3 million, RMB4.2 million and RMB6.3 million, respectively, together representing 1.2%, 1.5%, 1.3% and 1.9% of our total revenue for the same periods.

As of October 31, 2024, RMB30.1 million, or 44.3%, of our contract liabilities as of August 31, 2024 had been subsequently recognized as revenue.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have historically funded our cash requirements principally from equity and debt financing and cash generated from operations.

As of December 31, 2021, 2022, 2023 and August 31, 2024, we had cash and cash equivalents of RMB20.4 million, RMB63.0 million, RMB620.2 million and RMB596.3 million, respectively, which were denominated in Renminbi, HK Dollars and US Dollars. We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimum liquidity that can meet our working capital needs while supporting continuing business expansion. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of operating cash flow, bank borrowing and net proceeds received from the Global Offering.

Cash Flow

The following table sets out our cash flow for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2021	**2022**	**2023**	**2023**	**2024**
			(RMB'000)		
				(Unaudited)	
Net cash generated from operating activities	321,156	434,132	866,339	691,133	695,484
Net cash used in investing activities	(190,115)	(79,814)	(295,735)	(291,729)	(456,244)
Net cash used in financing activities	(117,712)	(311,688)	(14,132)	(129,900)	(263,549)
Net increase/(decrease) in cash and cash equivalents	13,329	42,630	556,472	269,504	(24,309)
Cash and cash equivalents at the beginning of the period	7,042	20,371	63,001	63,001	620,153
Effect of foreign exchange rate changes	–	–	680	672	437
Cash and cash equivalents at the end of the period	**20,371**	**63,001**	**620,153**	**333,177**	**596,281**

Net Cash Generated from Operating Activities

In the eight months ended August 31, 2024, our net cash generated from operating activities was RMB695.5 million, which was primarily attributable to our profit before income tax of RMB542.0 million, as adjusted for non-cash and non-operating items and income tax paid of RMB164.7 million. Adjustments for non-cash and non-operating items primarily included depreciation and amortization of RMB281.4 million, changes in carrying amount of the redemption liability of RMB26.1 million and finance costs of RMB27.1 million, partially offset by changes in fair value of the convertible bonds and derivative financial instruments of RMB46.4 million. The amount was further adjusted by changes in working capital, primarily in relation to a decrease in trade and other receivables and rental deposits of RMB40.5 million and a decrease in inventories of RMB6.6 million, partially offset by a decrease in trade and other payables of RMB4.5 million.

In 2023, our net cash generated from operating activities was RMB866.3 million, which was primarily attributable to our profit before income tax of RMB744.1 million, as adjusted for non-cash and non-operating items and income tax paid of RMB178.6 million. Adjustments for non-cash and non-operating items primarily included depreciation and amortization of RMB330.2 million and finance costs of RMB31.6 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase in trade and other receivables and rental deposits of RMB95.9 million and (ii) an increase in inventories of RMB20.1 million, partially offset by an increase in trade and other payables of RMB46.0 million.

In 2022, our net cash generated from operating activities of RMB434.1 million was primarily attributable to our profit before income tax of RMB349.8 million, as adjusted for non-cash and non-operating items and income tax paid of RMB102.4 million. Adjustments for non-cash and non-operating items primarily included depreciation and amortization of RMB286.6 million and finance costs of RMB28.3 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase in trade and other receivables and rental deposits of RMB59.2 million, (ii) a decrease in trade and other payables of RMB48.9 million, and (iii) an increase in inventories of RMB26.7 million.

In 2021, our net cash generated from operating activities was RMB321.2 million, which was primarily attributable to our profit before income tax of RMB309.0 million, as adjusted for non-cash and non-operating items and income tax paid of RMB78.7 million. Adjustments for non-cash and non-operating items primarily included depreciation and amortization of RMB240.4 million and finance costs of RMB24.3 million. The amount was further adjusted by changes in working capital, primarily including (i) a decrease in trade and other payables of RMB99.3 million, (ii) an increase in trade and other receivables and rental deposits of RMB64.4 million, and (iii) an increase in inventories of RMB20.8 million.

Net Cash Used in Investing Activities

In the eight months ended August 31, 2024, our net cash used in investing activities was RMB456.2 million, which was primarily attributable to (i) payment for the purchase of property, plant and equipment of RMB247.2 million and (ii) payment for purchase of financial assets measured at FVPL, net of RMB225.0 million, partially offset by interest income received of RMB15.2 million.

In 2023, our net cash used in investing activities was RMB295.7 million, primarily attributable to payment for the purchase of property, plant and equipment of RMB309.2 million, partially offset by disposal of financial assets measured at fair value through profit or loss of RMB5.0 million and interest income received of RMB7.3 million.

In 2022, our net cash used in investing activities was RMB79.8 million, primarily attributable to payment for the purchase of property, plant and equipment of RMB94.3 million, partially offset by disposal of financial assets measured at fair value through profit or loss of RMB19.5 million and investment income received of RMB1.8 million.

In 2021, our net cash used in investing activities was RMB190.1 million, primarily attributable to payment for purchase of property, plant and equipment of RMB169.9 million and purchases of financial assets measured at fair value through profit or loss of RMB19.5 million.

Net Cash Used in Financing Activities

In the eight months ended August 31, 2024, our net cash used in financing activities was RMB263.5 million, which was primarily attributable to (i) payment of dividends of RMB187.5 million, (ii) payment of the capital element of lease liabilities of RMB136.0 million, and (iii) payment of interest element of lease liabilities of RMB25.8 million, partially offset by proceeds from financial instruments issued to an investor of RMB100.0 million.

In 2023, our net cash used in financing activities was RMB14.1 million, which was primarily attributable to (i) payment of dividends of RMB135.3 million, (ii) payment of the capital element of lease liabilities of RMB172.1 million, and (iii) repayment of bank loans and other borrowings of RMB113.4 million, partially offset by proceeds from financial instruments issued to an investor of RMB400.0 million and proceeds from bank loans and other borrowings of RMB50.0 million.

In 2022, our net cash used in financing activities was RMB311.7 million, which was primarily attributable to (i) payment of dividends of RMB150.0 million, (ii) payment of the capital element of lease liabilities of RMB150.4 million, and (iii) repayment of bank loans and other borrowings of RMB49.5 million, partially offset by proceeds from bank loans and other borrowings of RMB123.5 million.

In 2021, our net cash used in financing activities was RMB117.7 million, which was primarily attributable to (i) payment of the capital element of lease liabilities of RMB116.5 million and (ii) payment of the interest element of lease liabilities of RMB22.2 million, primarily offset by proceeds from bank loans and other borrowings of RMB38.0 million.

INDEBTEDNESS

The table below sets out the details of our indebtedness as of the dates indicated:

	As of December 31,			As of August 31,	As of October 31,
	2021	2022	2023	2024	2024
			(RMB'000)		
					(Unaudited)
Current					
Bank loans and other borrowings	39,461	113,438	50,000	30,470	–
Lease liabilities	145,099	154,427	192,171	218,046	222,771
Amounts due to related parties[(1)]	49,832	–	–	–	–
Non-current					
Lease liabilities	377,132	352,307	518,960	608,563	602,768
Redemption liability	–	–	413,242	535,685	542,370
Derivative financial instruments	–	–	88,650	66,700	66,246
Total	**611,524**	**620,172**	**1,263,023**	**1,459,464**	**1,434,155**

Note:

(1) Amounts due to related parties represented non-trade related payables to Anhui Xiaocaiyuan Holding Company Limited, mainly including consideration for the acquisition of Xiaocaiyuan Catering and other payables, and were fully settled in 2022. See Note 29 to the Accountants' Report in Appendix I to this prospectus.

Bank Loans and Other Borrowings

As of December 31, 2021, 2022, 2023, August 31, 2024 and October 31, 2024, we had outstanding bank loans and other borrowings of RMB39.5 million, RMB113.4 million, RMB50.0 million, RMB30.5 million and nil, respectively, mainly representing (i) bank loans primarily to supplement our working capital and to open new restaurants in line with our expansion plan, and (ii) other borrowings primarily for the purchase of our truck fleet for supply transportation.

The table below sets out the details of our bank loans and other borrowings as of the dates indicated:

	As of December 31,			As of August 31,	As of October 31,
	2021	2022	2023	2024	2024
			(RMB'000)		
					(Unaudited)
Bank loans	38,000	113,000	50,000	30,470	–
Other borrowings	1,461	438	–	–	–
Total	**39,461**	**113,438**	**50,000**	**30,470**	**–**

During the Track Record Period, all of our bank loans were repayable within one year or on demand. From 2021 to December 2023, our bank loans were guaranteed by certain of our Controlling Shareholders and Mr. Wang's spouse, as well as Xiaocaiyuan Catering, and the personal guarantee provided by such Controlling Shareholders and Mr. Wang's spouse was released in December 2023. The interest rate on our fixed rate bank loans ranges from 2.18% to 4.50%. As of the Latest Practicable Date, our unutilized banking facilities amounted to RMB720.0 million.

Our Directors confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payments of bank loans and other borrowings, or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

As of December 31, 2021, 2022, 2023 and August 31, 2024 and October 31, 2024, we had lease liabilities of RMB522.2 million, RMB506.7 million, RMB711.1 million, RMB826.6 million and RMB825.5 million, respectively, mainly representing lease liabilities under leases for our restaurants. For our lease arrangements, see "Business – Our Restaurant Network – Restaurant Expansion Plan and Management – Lease Arrangements" for details.

The following table shows the remaining contractual maturities of our lease liabilities as of the dates indicated:

	As of December 31,			As of August 31,	As of October 31,
	2021	2022	2023	2024	2024
			(RMB'000)		
					(Unaudited)
Within one year	145,099	154,427	192,171	218,046	222,771
After one year but within two years	133,614	131,797	164,072	192,662	193,526
After two years but within five years	216,206	187,020	304,230	382,012	376,652
After five years	27,312	33,490	50,658	33,889	32,590
Total	**522,231**	**506,734**	**711,131**	**826,609**	**825,539**

Financial Instruments Issued to an Investor

As of December 31, 2021, 2022, 2023, August 31, 2024 and October 31, 2024, our financial instruments issued to an investor, which include redemption liability of nil, nil, RMB413.2 million, RMB535.7 million and RMB542.4 million, and derivative financial instruments of nil, nil, RMB88.7 million, RMB66.7 million and RMB66.2 million, respectively. Our financial instruments issued to an investor represented the First Round Preferred Shares and relevant compensation rights issued by us to Harvest Delicacy in 2023 and the Second Round Preferred Shares and relevant compensation rights issued by us to Harvest Delicacy in 2024. For the identity and background of Harvest Delicacy and the terms of the Investment Agreement of the First Series Convertible Bonds, see "History, Reorganization and Corporate Structure – Pre-IPO Investments."

No Other Outstanding Indebtedness

Save as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of October 31, 2024, being our indebtedness statement date. After due and careful consideration, our Directors confirm that, as of the date of this prospectus, there has been no material change in our indebtedness since October 31, 2024.

CONTINGENT LIABILITIES

As of December 31, 2021, 2022, 2023 and August 31, 2024, we did not have any material contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods indicated:

	As of December 31,			As of August 31,
	2021	**2022**	**2023**	**2024**
Current ratio[(1)]	0.3	0.6	1.5	1.8
Quick ratio[(2)]	0.2	0.5	1.4	1.6
Gearing ratio (%)[(3)]	38.5	34.9	8.0	3.7

Notes:

(1) Current ratio is calculated by dividing current assets by current liabilities.

(2) Quick ratio is calculated by dividing current assets less inventories by current liabilities.

(3) Gearing ratio equals bank loans and other borrowings divided by total equity and multiplied by 100%.

Current Ratio

Our current ratio increased from 0.3 as of December 31, 2021 to 0.6 as of December 31, 2022, which was attributable to (i) an increase in cash and cash equivalents as a result of an increase in the net cash generated from operating activities and (ii) a decrease in dividend payable because we declared dividends of RMB150.0 million in 2021 and settled such dividends in 2022. Our current ratio further increased from 0.6 as of December 31, 2022 to 1.5 as of December 31, 2023, primarily due to an increase in cash and cash equivalents in relation to the proceeds from the Pre-IPO Investments. Our current ratio increased from 1.5 as of December 31, 2023 to 1.8 as of August 31, 2024, primarily due to an increase in financial assets at FVPL resulting from our purchase of wealth management products in 2024.

Quick Ratio

Our quick ratio increased from 0.2 as of December 31, 2021 to 0.5 as of December 31, 2022, increased to 1.4 as of December 31, 2023 and increased to 1.6 as of August 31, 2024. Our quick ratio generally followed the trend of our current ratio and the changes were for the same reasons.

Gearing Ratio

Our gearing ratio decreased from 38.5% as of December 31, 2021 to 34.9% as of December 31, 2022, primarily due to an increase in our total equity, partially offset by an increase in bank loans and other borrowings. Our gearing ratio further decreased from 34.9% as of December 31, 2022 to 8.0% as of December 31, 2023, primarily due to a decrease in bank loans and other borrowings and an increase in our total equity. Our gearing ratio further decreased to 3.7% as of August 31, 2024, primarily due to a decrease in bank loans and other borrowings and an increase in our total equity.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

COMMITMENTS

As of December 31, 2021, 2022, 2023 and August 31, 2024, the total amount of our capital expenditure contracted for but not yet provided was RMB26.9 million, RMB36.0 million, RMB39.4 million and RMB120.1 million, respectively.

CAPITAL EXPENDITURES

Our capital expenditure consisted of payment for the purchase of property, plant and equipment, primarily used to open new restaurants, procure equipment for new restaurants and renovate existing restaurants. Our capital expenditures in 2021, 2022, 2023 and the eight months ended August 31, 2024 were RMB169.9 million, RMB94.3 million, RMB309.2 million and RMB247.2 million, respectively.

We funded our capital expenditure requirements during the Track Record Period mainly from cash flow generated from operating activities, equity and debt financing. We intend to fund our future capital expenditures with a combination of operating cash flow, equity and debt financing and net proceeds received from the Global Offering. See "Business – Our Restaurant Network – Restaurant Expansion Plan and Management" and "Future Plans and Use of Proceeds – Use of Proceeds" for further details about our planned capital expenditure. We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

MATERIAL RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 29 to the Accountants' Report in Appendix I to this prospectus.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's-length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We have adopted a risk management program focused on minimizing potential adverse effects of the unpredictability of financial markets as we are exposed to a variety of financial risks, including interest rate risk, credit risk, foreign currency risk and liquidity risk. See Note 27 to the Accountants' Report in Appendix I to this prospectus.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to us. Our credit risk is primarily attributable to trade and other receivables and rental deposits.

In determining the ECL for rental deposits and other receivables, our management has taken into account the historical default experience and forward-looking information, as appropriate. Our management has assessed that rental deposits and other receivables have not had a significant increase in credit risk since initial recognition and risk of default is insignificant, and therefore, no ECL allowance for rental deposits and other receivables is recognized at December 31, 2021, 2022, 2023 and August 31, 2024.

Our exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit quality, for which we consider to have low credit risk. Our exposure to credit risk arising from trade receivables is also limited, because most of our trade receivables are settled through reputable payment platforms such as UnionPay, Alipay and WeChat Pay within 3 days.

The expected credit loss rate is insignificant and close to zero.

We do not provide any guarantees which would expose us to credit risk.

Liquidity Risk

As of December 31, 2021 and 2022, our net current liabilities amounted to RMB468.1 million and RMB231.5 million, respectively. As of December 31, 2023 and August 31, 2024, our net current assets amounted to RMB359.2 million and RMB503.6 million, respectively. In management of liquidity risk, our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash, readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

For details of the remaining contractual maturity for our financial liabilities, see Note 27(b) to the Accountants' Report in Appendix I to this prospectus.

Interest Rate Risk

Our bank balances, other than short-term and long-term bank deposits, expose to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate. Our management considers our exposure to interest rate risk in respect of bank balances and interest-bearing bank and other borrowings is not significant. See Note 27(c) to the Accountants' Report in Appendix I to this prospectus for details.

Currency Risk

We are not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than functional currencies of the respective entities comprising us are not significant. See Note 27(d) to the Accountants' Report in Appendix I to this prospectus for details.

DIVIDEND

In 2021, we declared dividends of RMB150.0 million and settled such dividends in 2022, and in 2023, we declared dividends of RMB135.3 million and settled such dividends in the same year, all of which were paid in cash. In the eight months ended August 31, 2024, we declared dividends of RMB187.5 million and settled such dividends during the same period. No other dividend was paid or declared by our Company or other entities comprising our Group during the Track Record Period.

We do not have any dividend policy. Any future declarations and payments of dividends will be at the absolute discretion of our Directors and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. We are a holding company incorporated in the Cayman Islands and operate our businesses through our operating subsidiaries in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders depends upon dividends received from these subsidiaries. The PRC laws and regulations require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. The PRC laws and regulations also require enterprise incorporated in the PRC to set aside 10% of after-tax profits based on the relevant accounting standards set out by the PRC regulatory authorities at the end of each year to fund certain statutory reserves until such reserve funds reach and remain at or above 50% of the relevant PRC entity's registered capital. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, the available banking facilities and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

DISTRIBUTABLE RESERVES

As of August 31, 2024, our distributable reserves (which was referred to as retained profits in the Accountants' Report in Appendix I to this prospectus) amounted to RMB637.3 million.

LISTING EXPENSES

Based on an Offer Price of HK$8.50 per Share (assuming that the Over-allotment Option is not exercised), the estimated total listing expenses relating to the Global Offering are estimated to amount in aggregate to approximately HK$76.0 million, accounting for 8.8% of the gross proceeds from the Global Offering, of which approximately HK$49.6 million has been or is expected to be charged to profit and loss, and approximately HK$26.4 million is expected to be directly attributable to the offering and listing of our Offer Shares and will be deducted from equity upon the Listing. By nature, our expected listing expenses are composed of (i) underwriting-related expenses of approximately HK$22.0 million, and (ii) fees and expenses for legal advisors and Reporting Accountants of approximately HK$30.0 million and other fees and expenses of approximately HK$24.0 million. We did not recognize any listing expenses in 2021 and 2022. In 2023 and the eight months ended August 31, 2024, we recognized listing expenses of HK$9.3 million and HK$13.1 million in our consolidated statements of profit or loss and other comprehensive income.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See "Appendix II – Unaudited Pro Forma Financial Information".

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since August 31, 2024, being the end date of our latest consolidated financial statements, and there has been no event since August 31, 2024 that would materially affect the information set out in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business – Development Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

Based on an Offer Price of HK$8.50 per Offer Share, we estimate that we will receive net proceeds of approximately HK$784.0 million from the Global Offering after deducting the underwriting commission and other estimated expenses in connection with the Global Offering, assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use the proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 40.0%, or HK$313.6 million, is expected to be used in the expansion of our restaurant network to broaden our geographical coverage and deepen our market penetration. According to Frost & Sullivan, the total market size of mass Chinese cuisine increased from RMB3,010.3 billion in 2018 to RMB3,618.7 billion in 2023, representing a CAGR of approximately 3.8% from 2018 to 2023, while the growth rate from 2018 to 2019 is approximately 8.7%. The market is expected to reach RMB5,587.1 billion in 2028 at a CAGR of approximately 9.1% from 2023 to 2028. In light of the captivating market potential, we believe it is in our best interest to scale our business in order to drive long-term growth.

  We will expand our *Xiaocaiyuan* restaurants to consolidate our market position and strengthen our brand awareness. Based on a highly standardized and scalable restaurant expansion model, we plan to open approximately 160 and 180 *Xiaocaiyuan* restaurants in 2025 and 2026, respectively, and by the end of 2026, we expect to operate approximately 1,000 *Xiaocaiyuan* restaurants. Based on historical amounts, we estimate the investment cost for opening new *Xiaocaiyuan* restaurants to be between RMB1.3 million and RMB1.7 million per restaurant. We expect the forecast revenue, initial breakeven period and investment payback period for new *Xiaocaiyuan* restaurants will generally align with the historical performances of our existing *Xiaocaiyuan* restaurants during the Track Record Period. See "Business – Our Restaurants' Performance – Initial Breakeven Period and Investment Payback Period."

  The following table sets forth the breakdown of *Xiaocaiyuan* restaurants we expect to open by geographical regions in 2025 and 2026:

Location	**Year ending December 31, 2025**	**Year ending December 31, 2026**
Existing markets[(1)]	96	111
New markets in China[(2)]	63	66
New overseas markets (such as Hong Kong and Singapore)	1	3
Total	**160**	**180**

Notes:

(1) Provinces that we have a strong presence, including Anhui, Beijing, Guangdong, Hubei, Jiangsu, Shanghai, Tianjin and Zhejiang.

(2) Provinces that we plan to cover but have not covered yet or where our presence is limited, including Fujian, Hebei, Henan, Hunan, Jiangxi, Shaanxi and Shandong.

In line with our restaurant network expansion, we plan to recruit approximately 28 personnel per new *Xiaocaiyuan* restaurant. The following table sets forth the number, position and salary levels of our new recruitment for each new *Xiaocaiyuan* restaurant.

Position	No. of personnel	Estimated monthly salary
Restaurant manager	1	Approximately RMB14,000
Head chef	1	Approximately RMB19,000
Deputy head chef	1	Approximately RMB11,000
Restaurant frontline staff	25	RMB3,500-9,000

We believe that there is no significant adverse operational and financial impact on us as a result of our *Xiaocaiyuan* restaurant expansion and we will be able to mitigate the risk of over-expansion for *Xiaocaiyuan* restaurants.

Underpinned by the highly standardized and scalable business model, we maintain a prudent expansion strategy for *Xiaocaiyuan* restaurants, entailing conducting thorough market research, analysing potential commercial districts and consumer demand, and evaluating brand's market position to ensure that each new *Xiaocaiyuan* restaurant aligns with our strategic objectives and profitability targets. In particular, *Xiaocaiyuan* restaurant expansion process is governed by standardized procedures covering site selection, commercial negotiation, design and decoration, legal compliance and marketing activities, ensuring the accurate evaluation of the cost structure for opening a new restaurant. Our management oversees the expansion of restaurant network and regularly evaluates the pace of expansion.

During the Track Record Period, while we rapidly expanded the network of *Xiaocaiyuan* restaurants, *Xiaocaiyuan* restaurants in existing markets and new markets have demonstrated outstanding performance. The same store sales for *Xiaocaiyuan* restaurants increased by 1.2% from 2021 to 2022 despite impact of COVID-19, and increased strongly by 20.8% from 2022 to 2023. The initial breakeven periods of *Xiaocaiyuan* restaurants opened during the Track Record Period were generally around one to two months. In addition, the average investment payback period of *Xiaocaiyuan* restaurants, which were opened during the Track Record Period and have achieved investment payback as of August 31, 2024, was approximately 13.8 months, compared with that of typically over 18 months for restaurants opened in 2021, 2022 and 2023 and the eight months ended August 31, 2024 in the mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100, according to Frost & Sullivan. In addition, we have not experienced any shortage of staff or operational suspension due to the expansion of the network of *Xiaocaiyuan* restaurants and have sustained a low rate of *Xiaocaiyuan* restaurant closures.

Furthermore, the mass Chinese cuisine market is expected to reach RMB5,587.1 billion in 2028 at a CAGR of approximately 9.1% from 2023 to 2028, and there is still much whitespace for us to explore outside our current restaurant network. We will consistently expand *Xiaocaiyuan* restaurant network by replicating and optimizing its proven managerial and operational procedures when opening new restaurants. Therefore, we believe that there will be no material adverse impact on our operational and financial performances, as a result of the expansion of the network of *Xiaocaiyuan* restaurant and we will be able to mitigate the risk of over-expansion for *Xiaocaiyuan* restaurants.

In addition, we will expand our community catering business. China's Chinese cuisine community catering industry achieved rapid growth in recent years. With 117,500 communities and 933 million community residents in China as of December 31, 2023, China's Chinese cuisine community catering market size is expected to reach RMB2,137.6 billion by 2028, with a projected CAGR of 9.4% from 2023 to 2028. We recognized the significant potential of the extensive Chinese cuisine community catering market and started our exploration in this market in October 2023, launching *Caishou* brand for our community catering business. Furthermore, the Chinese government has issued a series of favorable policies to promote the sound development of the catering industry and the standardization thereof, such as the Implementation Rules and the 14th Five-Year Plan for Food Safety Standards and Monitoring Evaluation (《食品安全標準與監測評估"十四五"規劃》). In light of the favorable policies, substantial market demand and growth potential, we plan to steadily explore and expand our community catering business. Specifically, we plan to locate suitable residential communities and office building sites to expand our community catering restaurant network in order to target residents and office workers nearby. We plan to open approximately 110 to 150 community catering restaurants from 2025 to 2026, with a focus on the existing geographic coverage of *Xiaocaiyuan* restaurants in site selection. In particular, we plan to open around 30 to 50 new restaurants in 2025 and 80 to 100 new restaurants in 2026, respectively. Based on the investment costs for existing *Caishou* restaurants and our designed store format, we estimate the investment cost for opening new *Caishou* restaurants to be between RMB1.0 million and RMB1.3 million per restaurant. We lack sufficient basis to provide forecast revenue, expected initial breakeven period and expected investment payback period for new *Caishou* restaurants due to the relatively short operation history of our *Caishou* brand and its presence in only a few geographical regions, as we launched *Caishou* brand in October 2023 and had only two *Caishou* restaurants as of August 31, 2024. Furthermore, the performance of *Caishou* restaurants in these limited geographical regions is not necessarily indicative of the performance of the new *Caishou* restaurants to be opened across different geographic locations as it does not reflect the potential diversity of market conditions.

In line with our restaurant network expansion, we plan to recruit approximately 15 personnel per new *Caishou* restaurant. The following table sets forth the number, position and salary levels of our new recruitment for each new *Caishou* restaurant.

Position	No. of personnel	Estimated monthly salary
Restaurant manager	1	Approximately RMB9,000
Restaurant frontline staff	14	RMB4,500-9,000

We believe that there is no significant adverse operational and financial impact on us as a result of the *Caishou* restaurant expansion and we will be able to mitigate the risk of over-expansion for *Caishou* restaurants.

Though *Caishou* brand differs from *Xiaocaiyuan* brand in site selection and target consumer base, we are able to leverage our expertise gained from the successful operation of *Xiaocaiyuan* restaurants, particularly in operational experience and execution of restaurant expansion, encompassing talent acquisition, standardization management, supply chain management, information technology and brand recognition. We plan to steadily expand *Caishou* restaurant network in the target markets with our accumulated operational experiences, guided by extensive market research, assessment of potential commercial districts and consumer demands, and comprehensive evaluation of the brand's market standing to ensure that each new *Caishou* restaurant aligns with our strategic objectives and profitability targets. With a prudent restaurant expansion strategy, our management team oversees the expansion of our restaurant network and regularly evaluates the pace of expansion.

Nonetheless, due to the relatively recent launch of *Caishou* brand in October 2023, it had slower ramp-up period as compared to the established brand *Xiaocaiyuan*, which has to some extent impacted its profit margins and cash flow in the short term. In the long term, we believe that *Caishou* brand is well positioned to capture the significant potential of the extensive Chinese cuisine community catering market and expand market share through differentiated pricing ranges to deliver strong financial results. As a result, we believe that there will be no material adverse impact on our operational and financial performances as a result of our *Caishou* restaurant expansion and we will be able to mitigate the risk of over-expansion for *Caishou* restaurants.

We have adopted, and will continue to adopt, the following strategies to avoid potential cannibalization among our existing *Xiaocaiyuan* restaurants and newly opened *Xiaocaiyuan* restaurants.

- We select sites for our new restaurants with a disciplined approach. We consider a series of factors during site selection, including, amongst others, population density, age distribution and average disposable income, spending patterns and dining habits of consumers in the district, estimated consumer traffic at peak hours. We generally avoid opening restaurants within the same commercial district to minimize the risk of cannibalization among our restaurants. Going forward, we intend to harness the capabilities of AI technologies to enhance and streamline our site selection process.

- Any proposal to open a new restaurant is subject to approval by our management, which collectively oversee the expansion of our restaurant network as a whole to avoid any over-aggressive expansion.

- For our delivery business, we closely monitor and manage the pricing of our delivery menus and promotional activities offered in our restaurants to avoid price competitions among restaurants located in the same city tier. Any material price modifications at individual restaurant needs to be properly accessed and approved by our headquarters.

- We conduct post-investment review of the operational and financial performance of our restaurants after they have been opened for a period of time. This allows us to monitor the operational and financial performance of the restaurants and, where the performance is unsatisfactory, we will carry out analysis and adjust our expansion strategies accordingly, taking into account the potential impact of cannibalization among existing restaurants.

In terms of avoiding cannibalization between our different brands, in addition to the strategies above, we also make sure that each of our brands has their own distinctive features, pricing strategy and brand orientation to cater to different consumption scenarios. This includes adopting a different design scheme, menu and price range, restaurant setting and environment for each of our brands. The risks of competition among existing and new restaurants are also reduced given the site selection of our brands are different with *Xiaocaiyuan* restaurants focusing on commercial districts and *Caishou* restaurants focusing on residential communities and office building sites.

- approximately 37.0%, or HK$290.1 million, is expected to be used to strengthen our supply chain capabilities, including:

  (i) approximately 30.0%, or HK$235.2 million, is expected to be used in the renovation of our existing central kitchen, installing new production lines and the construction of our new central kitchen, to support the expansion of our restaurant network and expand the scope of products supplied by our central kitchens. In light of our restaurant network expansion plan, there is a pressing business need to renovate our existing central kitchen, upgrade our equipment and facilities, install new production lines and construct new central kitchen to keep pace with our rapid growth. The proposed capacity upgrade also aims to alleviate the workload of our restaurant frontline staff.

  In terms of renovating our existing central kitchen, we plan to build a meat cutting and processing workshop with an aggregate GFA of 686 sq.m. and a designed annual production capacity of 10.8 thousand tons. The estimated expenditure for meat cutting and processing workshop consists of (i) approximately RMB2.0 to 5.0 million for relevant equipment procurement and (ii) approximately RMB1.0 to 3.0 million for staff costs.

  In terms of new production lines, we plan to install a few new production lines to raise the capacity of cleaning, cutting and portioning food ingredients with a view to achieving a higher level of standardization, reducing our reliance on highly skilled employees, saving staff costs and increasing operational efficiency. As of August 31, 2024, we have completed the installation of one production line in Anhui for pre-cleaned and pre-portioned food ingredients and its rental fees and staff costs are expected to be partially funded by net proceeds. The following table sets forth our implementation plan for installing new production lines:

Production lines	**GFA**	**Designed annual production capacity**	**Estimated commencement time of production**
	(sq.m.)	*(thousand tons)*	
Pre-cleaned and pre-portioned food ingredients I	3,000	3.1	January 2025
Pre-cleaned and pre-portioned food ingredients II	3,000	3.1	January 2026
Pre-cleaned and pre-portioned food ingredients III	3,000	3.1	October 2026

The estimated expenditure for new production lines consists of (i) approximately RMB15.0 to 20.0 million for construction and decoration, (ii) approximately RMB10.0 to 15.0 million for relevant equipment procurement, (iii) approximately RMB40.0 to 50.0 million for staff costs and (iv) approximately RMB35.0 to 45.0 million for rental fees and other operating expenses.

In line with our strategy to enhance standardized management practices, we are committed to increase the centralization of raw material processing at our central kitchen to enhance the consistency of food quality across our restaurant network. As a result, installation of new production lines for cleaning, cutting and portioning food ingredients is essential to increase the production capacity of our existing central kitchen in line with the increasing demands for pre-cleaned and pre-portioned ingredients of our existing restaurants, not mentioning the new restaurants to be opened during the next few years. Furthermore, to ensure timely delivery and to maintain the freshness of ingredients, we expect the production capacity and service scope of a single production line can only support restaurants operating within certain geographic coverage. Considering the rapid expansion of restaurant network, it is necessary to install new production lines in different cities to expand the service scope and accommodate the restaurant network's expansion more effectively.

In terms of the construction of our new central kitchen, we have started construction process for the new central kitchen in Ma'anshan, Anhui as of August 31, 2024. The new central kitchen in Ma'anshan, Anhui is designed to include a total of four production lines with multi-functions, including the production of condiment packets, frozen products, braised products and pre-cleaned and pre-portioned food ingredients. The following table sets forth our implementation plan for installation of four production lines in our new central kitchen in Ma'anshan:

Production lines	**GFA**	**Designed annual production capacity**	**Estimated commencement time of production**
	(sq.m.)	*(thousand tons)*	
Condiment packets	4,326.8	37.2	December 2025
Frozen products	3,563.3	9.4	December 2025
Braised products	727.7	18.0	December 2025
Pre-cleaned and pre-portioned food ingredients	2,772.1	4.2	December 2025
Total	**11,389.9**		

The estimated expenditure for our new central kitchen in Ma'anshan consists of (i) approximately RMB300.0 to 400.0 million for construction and decoration, (ii) approximately RMB150.0 to 250.0 million for relevant equipment procurement and (iii) approximately RMB60.0 to 75.0 million for staff costs.

With our ongoing expansion plan, the establishment of a new central kitchen in Ma'anshan is necessary to enhance production capabilities to better support our restaurant expansion plan and expand the categories of food ingredients that can be offered by our central kitchen. First, considering our existing central kitchen was designed with production capacity to accommodate around 700 restaurants and the rapid expansion of our restaurant network, it is crucial to plan ahead and allocate additional central kitchen capacity in advance. Second, the new central kitchen is designed with four production lines with multi-functions, which enables us to supply a wider range of food ingredients and prepare a broader variety of standard condiment packets for our restaurants, thereby improving our overall food safety and quality consistency. Such establishment of a new central kitchen allows us to efficiently transfer broader scope of functions from restaurants to the central kitchens, reducing the operational burden on restaurants, ensuring consistent quality across our restaurant network and improving store operation efficiency.

(ii) approximately 5.0%, or HK$39.2 million, is expected to be used in the expansion of our warehousing and logistics network by increasing the density of our warehousing facility layout, and increasing the size of our transportation fleet, in order to support our restaurant network expansion. From 2025 to 2026, we plan to build a total of six warehouses, each with an aggregate GFA ranging from 2,500 to 3,000 sq.m., distributed in Jiangxi, Hunan, Fujian, Shaanxi, Shandong and Liaoning to support the operations of our newly opened restaurants in these provinces and their neighboring provinces. In the meantime, we plan to introduce additional vehicles and drivers into our in-house transportation fleet.

The estimated expenditure for each of our warehouses consists of (i) approximately RMB1.0 million to RMB2.0 million per year for rental fees, (ii) approximately RMB0.5 million to RMB1.5 million for construction and decoration, (iii) approximately RMB0.5 million to RMB1.5 million for relevant equipment procurement and (iv) approximately RMB1.0 million to RMB2.0 million per year for staff costs;

(iii) approximately 2.0%, or HK$15.7 million, is expected to be used in the development of our new retail business. Together with our expanded production facilities and supply chain development, we plan to expand our new retail business and sell quality and healthy food ingredient products under our own brands.

- approximately 13.0%, or HK$101.9 million, is expected to be used to promote our information technology capabilities through upgrading our smart devices and digital systems.

  (i) approximately 6.0%, or HK$47.0 million, is expected to be used in the procurement of smart devices such as cooking robots, smart cameras systems, AI self-checkout machines and thermostatic electric frying stoves to enhance the automation of our in-restaurant workflows and improve our restaurant operation efficiency. The following table sets forth the price and number of smart devices we plan to procure by function in 2025 and 2026:

Function	**Number**	**Estimated unit price**
Cooking robots	2,000	RMB50,000
Smart camera systems	490	RMB34,000
AI self-checkout machines	150	RMB5,000
Thermostatic electric frying stoves	580	RMB4,400

  (ii) approximately 7.0%, or HK$54.9 million, is expected to be used in the upgrade of our information technology infrastructure. We plan to upgrade our BI system to fully utilize our digital assets, enhance our data analysis capabilities, empower our management to make timely adjustments to our operations based on data analysis results, and achieve intelligent human resources management by utilizing digital tools. We also expect to improve our business middle-end system, SAP system, smart camera system, POS system and membership system. The following table sets forth the expected rollout timeframe for upgrading of our information technology infrastructure:

IT system	**Digitalization plan**
BI system	• Within 2025, we expect to invest in phase II of BI system to cover the supply chain. • Within 2026, we expect to invest in phase III of BI system to cover finance and human resources. • In 2027, BI system is expected to undergo continuous iterations and upgrades.
Business middle-end system	• From 2025 to 2027, our upgrade of the business middle-end system is expected to include: (i) the establishment of a data middle-end platform; (ii) iteration of the first-generation data warehouse architecture;

IT system	Digitalization plan
	(iii) implementation of the customer data platform; and (iv) introduction of AI algorithms for intelligent prediction models.
SAP system	• From 2025 to 2027, we plan to integrate SAP system with other information systems, enabling smooth connectivity and seamless exchange of data.
Smart camera system	• In 2025, we plan to expand the use of smart camera system to cover more restaurants. • From 2025 to 2027, we plan to continuously optimize smart camera system to improve recognition accuracy and broaden violation detection.
POS system	• From 2025 to 2027, we plan to continuously optimize POS system, specifically targeting real-time reporting, load balancing and checkout time optimization.
Membership system	• In 2025, we plan to launch membership mall, embarking on our first venture into online retail. • From 2025 to 2027, we plan to make continuous enhancements and refinements of the membership benefits and the membership mall.

- approximately 10.0%, or HK$78.4 million, is expected to be used for working capital and general corporate purposes.

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we will adjust the allocation of the net proceeds to the purposes above on a pro rata basis.

If the Over-allotment Option is fully exercised, our Company will receive additional net proceeds of approximately HK$123.8 million for 15,176,800 Shares to be allotted and issued upon the full exercise of the Over-allotment Option based on the Offer Price of HK$8.50 per Offer Share, and after deducting the underwriting fees and commissions payable by our Company. The additional amount raised will be applied to the above areas of use of proceeds on a pro rata basis.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes, we will only deposit those net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions).

IMPLEMENTATION PLAN

The following table sets forth the implementation plan for each purposes. In case the allocated amount of net proceeds are insufficient to cover the required capital expenditure, we will utilize cash generated from operating activities and cash and cash equivalents as alternative sources of additional funding.

Purposes	Allocation proportion	Estimated investments for the year ending December 31,		Total amount of the net proceeds to be used
		2025	2026	
	(%)	*(HK$ in millions)*		
Expansion of our restaurant network	**40.0**	**140.1**	**173.5**	**313.6**
Strengthen our supply chain capabilities	**37.0**	**184.1**	**106.0**	**290.1**
(i) renovation of our existing central kitchen, installing new production lines and the construction of our new central kitchen	30.0	162.8	72.4	235.2
(ii) expansion of our warehousing and logistics network	5.0	13.9	25.3	39.2
(iii) development of our new retail business	2.0	7.4	8.3	15.7
Promote our information technology capabilities through upgrading our smart devices and digital systems	**13.0**	**46.1**	**55.8**	**101.9**
(i) procurement of smart devices	6.0	22.1	24.9	47.0
(ii) upgrade of our information technology infrastructure	7.0	24.0	30.9	54.9
Working capital and general corporate purposes	**10.0**	**39.2**	**39.2**	**78.4**
Total	**100.0**	**409.5**	**374.5**	**784.0**

HONG KONG UNDERWRITERS

Huatai Financial Holdings (Hong Kong) Limited
UBS AG Hong Kong Branch
Guoyuan Securities Brokerage (Hong Kong) Limited
CMB International Capital Limited
ABCI Securities Company Limited
ICBC International Securities Limited
Futu Securities International (Hong Kong) Limited
TradeGo Markets Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The Company expects the International Offering to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 10,118,400 Hong Kong Offer Shares and the International Offering of initially 91,062,400 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), in their sole and absolute discretion, shall have the right by giving a notice to the Company at any time prior to 8:00 a.m. on the Listing Date to terminate the Hong Kong Underwriting Agreement with immediate effect if any of the following events shall occur:

(i) there shall develop, occur, exist or come into effect:

(a) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a local, national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation, adverse mutation or aggravation of diseases (including, without limitation, COVID-19, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related/mutated forms), comprehensive sanctions, economic sanctions, strikes, labour disputes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, rebellion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism (whether or not responsibility has been claimed), paralysis in government operations, interruptions or delay in transportation) in or affecting the Cayman Islands, Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to the Group (each a "**Relevant Jurisdiction**" and collectively, the "**Relevant Jurisdictions**");

(b) any change or development involving a prospective change, or any event or series of events or circumstances likely to result in a change or prospective change, in any local, national, regional or international financial, political, military, industrial, economic, fiscal, legal, regulatory, currency, credit or market conditions or sentiments, taxation, equity securities or currency exchange rate or controls or any monetary or trading settlement system, or foreign investment regulations (including a significant devaluation of the Hong Kong dollar, U.S. dollar or Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar or the Renminbi is linked to any foreign currency or currencies) or other financial markets (including conditions in stock and bond markets, money and foreign exchange markets, the inter-bank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(c) any moratorium, suspension or limitation (including any imposition of or requirement for any minimum or maximum price limit or price range) on the trading in shares or securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or

(d) any general moratorium on commercial banking activities in the PRC (imposed by the People's Bank of China), Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the European Union (or any member thereof) or any of the other Relevant Jurisdictions (declared by any relevant competent authority) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(e) any new law or regulation or any change or development involving a prospective change or any event or series of events or circumstances likely to result in a change or a development involving a prospective change in existing laws or regulations, or the interpretation or application thereof by any court or any competent authority in or affecting any of the Relevant Jurisdictions; or

(f) other than with the prior written consent of the Joint Sponsors and the Overall Coordinators, the issue or requirement to issue by the Company of a supplement or an amendment to this prospectus, the formal notice, the preliminary offering circular, the final offering circular in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC; or

(g) the imposition of sanctions on any member of the Group, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(h) any valid demand by any creditor for repayment of any of the indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(i) any litigation, dispute, proceeding, legal action or claim or regulatory or administrative investigation or action being threatened, instigated or announced against any member of the Group or any executive Director of the Company; or

(j) any contravention by any member of the Group or any Director of the Company of any applicable laws and regulations (including, without limitation, the Listing Rules, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the CSRC Rules (as defined in the Hong Kong Underwriting Agreement) ("**CSRC Rules**")), save as those disclosed in this prospectus; or

(k) the commencement by any governmental, political, regulatory body of any investigation or other action against any Director or member of the senior management of the Company in his or her capacity as such or any member of the Group or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action; or

(l) any Director and chief financial officer of the Company as named in this prospectus seeks to retire, or is removed from office or vacating his/her office; or

(m) any Director and chief financial officer of the Company as named in this prospectus is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or taking a directorship of a company; or

(n) any non-compliance of this prospectus, the formal notice or the CSRC Filings (as defined in the Hong Kong Underwriting Agreement) ("**CSRC Filings**") or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations (including, without limitation, the Listing Rules, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the CSRC Rules); or

(o) there is an order or petition for the winding up or liquidation of major subsidiary of the Group or any composition or arrangement made by major subsidiary of the Group with its creditors or a scheme of arrangement entered into by major subsidiary of the Group or any resolution is passed for the winding-up of major subsidiary of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of major subsidiary of the Group or anything analogous thereto occurring in respect of major subsidiary of the Group;

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and/or the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(1) has or will have or is likely to have a material adverse effect or any development involving a prospective material adverse effect, on the profits, losses, results of operations, assets, liabilities, general affairs, business, management, performance, prospects, shareholders' equity, position or condition (financial, trading or otherwise) of the Group, taken as a whole;

(2) has or will have or is likely to have a material adverse effect on the success or marketability of the Global Offering or the level of applications for or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of indications of interest under the International Offering;

(3) makes or will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering and/or the International Offering to be performed or implemented as envisaged or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents (as defined in the Hong Kong Underwriting Agreement) ("**Offering Documents**"); or

(4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting the Hong Kong Public Offering) incapable or impracticable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(ii) there has come to the notice of the Joint Sponsors and/or the Overall Coordinators that:

(a) any statement contained in any of the Offering Documents, the CSRC Filings and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Global Offering (including any supplement or amendment thereto but excluding names and addresses of the Underwriters) (collectively, the "**Offer Related Documents**") was, when it was issued, or has become, untrue, incorrect, inaccurate or incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents (including any supplement or amendment thereto) was, when it was issued, or has become unfair or misleading in any material respect or based on untrue, dishonest or unreasonable assumptions or given in bad faith taken as a whole; or

(b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement in, or material omission from this prospectus; or

(c) there is a material breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any material respect, any of the representations or warranties given by the Company or any of the Warranting Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or

(d) there is a material breach of any of the obligations or undertakings imposed upon the Company or any of the Warranting Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or

(e) the Company withdraws this prospectus or the Global Offering; or

(f) the approval of the listing committee of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including pursuant to any exercise of the Over-Allotment Option), other than subject to customary conditions, is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(g) any person named as expert in this prospectus (other than the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and/or references to its name included in the form and context in which it respectively appears; or

(h) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including pursuant to any exercise of the Over-Allotment Option) pursuant to the terms of the Global Offering; or

(i) (A) the notice of acceptance of the CSRC Filings issued by the CSRC and/or the results of the CSRC Filings published on the website of the CSRC is rejected, withdrawn, revoked or invalidated; or (B) other than with the prior written consent of the Overall Coordinators, the issue or requirement to issue by the Company of a supplement or amendment to the CSRC Filings pursuant to the CSRC Rules or upon any requirement or request of the CSRC; or (C) any material non-compliance of the CSRC Filings with the CSRC Rules or any other applicable laws; or

(j) a material portion of the orders placed or confirmed in the book-building process have been withdrawn, terminated or cancelled, or rejected or prohibited by the Stock Exchange, the SFC or any other authority.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that no further Shares, or securities convertible into Shares (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering (including the Over-allotment Option); or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Global Offering, it/he/she will not, and will procure that the relevant registered holder(s) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirements of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of its/his/her shareholdings in the Company is made in this prospectus and ending on the date which is six months from the Listing Date, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities in respect of which it/he/she is shown to be the beneficial owner in this prospectus (the "**Relevant Shares**"); or

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company or would together with the other group of persons cease to be controlling shareholders (as defined in the Listing Rules) of the Company.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its/his/her shareholdings in the Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will and will procure that the relevant registered holder(s) will:

(a) when it/he/she pledges or charges any securities in the Company beneficially owned by it/him/her in favor of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and

(b) when it/he/she receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by it/him/her will be disposed of, immediately inform us in writing of such indications.

The Company will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraphs (i) and (ii) above (if any) by any of the Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertaking by the Company

The Company undertakes to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, except for the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering (including pursuant to any exercise of the Over-Allotment Option), at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months after the Listing Date (the "**First Six-Month Period**"), the Company will not, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in the share capital or any other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of the Company, as applicable), or deposit any share capital or other equity securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares or other equity securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company; or

(iii) enter into any transaction with the same economic effect as any transaction described in sub-paragraph (i) or (ii) above; or

(iv) offer to or contract to or agree to do any of the foregoing specified in sub-paragraph (i), (ii) or (iii) above, or announce or publicly disclose any intention to do so,

in each case, whether any of the transactions described in sub-paragraph (i) or (ii) or (iii) above is to be settled by delivery of any share capital or other equity securities of the Company, in cash or otherwise (whether or not the issue of such share capital or other equity securities will be completed within the First Six-Month Period).

The Company further agrees, in the event that, at any time during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), the Company enters into any such transactions or offers or agrees or contracts to, or announces or publicly discloses, any intention to, enter into any such transactions described in sub-paragraph (i) or (ii) or (iii) above, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or any other equity securities of the Company.

(B) Undertaking by the Warranting Shareholders

Each of the Warranting Shareholders agrees and undertakes to each of the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules and the Stock Borrowing Agreement:

(i) it/he will not, at any time during the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create an options, rights, interests or encumbrances in respect of, any of those securities of the Company in respect of which it/he is shown by this prospectus to be the beneficial owner(s); and

(ii) it/he will not, during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create an options, rights, interests or encumbrances in respect of, any of those securities referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of the Company.

(iii) at any time from the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, it/he will:

a. when it/he pledges or charges any Shares or other securities of the Company beneficially owned by it/him, immediately inform the Company, the Joint Sponsors and the Overall Coordinators in writing of such pledge or charge together with the number of Shares or other securities of the Company so pledged or charged; and

b. when it/he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities of the Company will be disposed of, immediately inform the Company, the Joint Sponsors and the Overall Coordinators in writing of such indications.

The Company undertakes that upon receiving such information in writing from any of the Warranting Shareholders, it will, as soon as practicable and if required pursuant to the Listing Rules, the SFO and/or any other applicable law, notify the Stock Exchange and/or other relevant authorities, and make a public disclosure in relation to such information by way of an announcement.

Hong Kong Underwriters' Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement, or as otherwise disclosed in this prospectus, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreement with, among others, the Joint Sponsors, the Overall Coordinators and the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure purchasers for, or themselves to purchase, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See the section headed "Structure of the Global Offering – The International Offering" in this prospectus for details.

Over-allotment Option

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Overall Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 15,176,800 Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See the section headed "Structure of the Global Offering – Over-allotment Option" in this prospectus for details.

Commissions and Expenses

The Underwriters and the Capital Market Intermediaries will receive an underwriting commission equal to 2.75% of the aggregate Offer Price of all the Offer Shares, including Offer Shares to be issued pursuant to the Over-allotment Option. Our Company may, at our sole and absolute discretion, pay to one or more Underwriters or Capital Market Intermediaries an incentive fee up to 1.25% of the aggregate Offer Price of all the Offer Shares (including Offer Shares to be issued pursuant to the Over-allotment Option). Assuming full payment of the discretionary fees, the ratio of fixed fee and discretionary fee payable to all Capital Market Intermediaries is expected to be 66.0:34.0.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions and fees together with the Hong Kong Stock Exchange listing fees, the SFC transaction levy, the Hong Kong Stock Exchange trading fee and the AFRC transaction levy, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be up to approximately HK$81.2 million (based on the Offer Price of HK$8.50 per Offer Share, the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) and will be paid by the Company.

Indemnity

The Company has agreed to indemnify the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any material breach by the Company of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the ***Syndicate Members***) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to our assets, securities and/or instruments and/or persons and entities with relationships with us and may also include swaps and other financial instruments entered into for hedging purposes in connection with our loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- the Syndicate Members (other than the stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

- the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to us and certain of our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of the Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The listing of the Shares on the Main Board of the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

101,180,800 Offer Shares will initially be made available under the Global Offering comprising:

- the Hong Kong Public Offering of initially 10,118,400 Offer Shares (subject to reallocation) in Hong Kong as described in "– The Hong Kong Public Offering" below; and

- the International Offering of initially 91,062,400 Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in "– The International Offering" below.

Investors may either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or (ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 8.6% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 9.8% of the total Shares in issue immediately following the completion of the Global Offering.

References in this prospectus to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 10,118,400 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.9% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "– Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally into two pools: pool A and pool B, with any odd board lots being allocated to pool A. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5 million (excluding brokerage, SFC transaction levy, Hong Kong Stock Exchange trading fee and AFRC transaction levy payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million (excluding brokerage, SFC transaction levy, Hong Kong Stock Exchange trading fee and AFRC transaction levy payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor. Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 5,059,200 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practise Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offering is fully subscribed or oversubscribed and certain prescribed total demand levels under the Hong Kong Public Offering are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 30,354,400 Offer Shares (in the case of (a)), 40,472,800 Offer Shares (in the case of (b)) and 50,590,400 Offer Shares (in the case of (c)), representing approximately 30%, approximately 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate.

In addition, the Overall Coordinators may, at their sole discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering. In accordance with the Chapter 4.14 of the Guide for New Listing Applicants issued by the Stock Exchange, if such reallocation is done other than pursuant to Practise Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 20,236,800 Offer Shares).

If the Hong Kong Public Offering is not fully subscribed, the Overall Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deems appropriate.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Company, which is expected to be published on Thursday, December 19, 2024.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he/she has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the Offer Price in addition to brokerage, SFC transaction levy, Hong Kong Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share, amounting to a total of HK$6,868.57 for one board lot of 800 Shares. For further details, see "How to Apply for Hong Kong Offer Shares."

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of 91,062,400 Offer Shares initially offered by us (subject to reallocation and the Over-allotment Option), representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 7.7% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "– Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in the section headed "– The Hong Kong Public Offering – Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Overall Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the

Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 15,176,800 Offer Shares, representing approximately 15.0% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 1.3% of the total Shares in issue immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practise used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price or the maximum price permitted under the Securities and Futures (Price Stabilizing) Rules of the SFO.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the sole and absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under clauses (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in clauses (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Thursday, January 16, 2025, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may choose to borrow up to 15,176,800 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from XCY Future Limited, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager and/or its affiliates and XCY Future Limited, on or around Wednesday, December 18, 2024.

If the Stock Borrowing Agreement with XCY Future Limited is entered into, the borrowing of Shares will only be effected by the Stabilizing Manager (or any person acting for it) for the settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with, in particular, such stock borrowing arrangement as fully described in this prospectus will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option.

The same number of the Shares so borrowed must be returned to XCY Future Limited or its nominees, as the case may be, on or before the third Business Day following the earlier of (i) the last day for exercising the Over-allotment Option and (ii) the day on which the Over-allotment Option is exercised in full, or such earlier time as may be agreed in writing between the Stabilizing Manager and XCY Future Limited.

The stock borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to XCY Future Limited by the Stabilizing Manager (or any person acting for it) in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

The Offer Price will be HK$8.50 per Offer Share unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the Offer Price of HK$8.50 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, amounting to a total of HK$6,868.57 for one board lot of 800 Shares.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Announcement of Offer Price Reduction

The Overall Coordinators (for themselves and on behalf of the Underwriters), may, where they deem appropriate, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process in respect of the International Offering, and with the consent of us, reduce the number of Offer Shares offered and/or the Offer Price below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at **www.xiaocaiyuan.com** and **www.hkexnews.hk**, respectively, notices of the reduction of the Offer Shares and/or the Offer Price, and the cancellation of the Global Offering and relaunch of the offer at the revised number of Offer Shares and/or the revised Offer Price.

We will also, as soon as practicable following the decision to make any such reduction, issue a supplemental prospectus or a new prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, and giving investors at least three business days to consider the new information. The supplemental or new prospectus should include at least the following: updated (i) Offer Price and market capitalization; (ii) listing timetable and underwriting obligations; (iii) price/earning multiple, unaudited pro forma and adjusted net tangible assets; and (iv) use of proceeds and working capital adequacy confirmation based on revised proceeds. The Global Offering must first be cancelled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares and the Offer Price will not be reduced.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price may not be made until the last day for lodging applications under the Hong Kong Public Offering.

If there is any change to the offer size due to change in the number of Offer Shares offered in the Global Offering (other than pursuant to the exercise of the Over-allotment Option and/or the reallocation mechanism as disclosed in this prospectus), or change to the Offer Price, or if the Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our Shares as prescribed under Rule 11.13 of the Listing Rules, we are required to cancel the Global Offering and relaunch the offer on FINI and issue a supplemental prospectus or a new prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Overall Coordinators may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of the initial Hong Kong Offer Shares shall not be less than 10% of the total number of Offer Shares in the Global Offering. The International Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Overall Coordinators.

The level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocation of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares – B. Publication of Results."

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around Wednesday, December 18, 2024.

These underwriting arrangements, including the Underwriting Agreements, are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- the Stock Exchange granting approval for the listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and such approval and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

- the execution and delivery of the International Underwriting Agreement on or around Wednesday, December 18, 2024; and

- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company on the websites of the Company and the Stock Exchange at **www.xiaocaiyuan.com** and **www.hkexnews.hk** respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares – D. Despatch/Collection of Share Certificates and Refund of Application Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on Friday, December 20, 2024; *provided* that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" has not been exercised.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, December 20, 2024, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, December 20, 2024.

The Shares will be traded in board lots of 800 Shares each and the stock code of the Shares will be 0999.

**IMPORTANT NOTICE TO INVESTORS
OF HONG KONG OFFER SHARES**

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.xiaocaiyuan.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older;
- have a Hong Kong address (*for the* ***HK eIPO White Form*** *service only*); and
- are outside the United States (within the meaning of Regulation S), and are not a U.S. Person (as defined in Regulation S under the U.S. Securities Act).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing beneficial owner of our Shares and/or a substantial shareholder of any of our subsidiaries;
- are director or chief executive officer of ours and/or any of our subsidiaries;
- are a close associate of any of the above persons; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Thursday, December 12, 2024 and end at 12:00 noon on Tuesday, December 17, 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	www.hkeipo.hk	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Thursday, December 12, 2024 to 11:30 a.m. on Tuesday, December 17, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Tuesday, December 17, 2024, Hong Kong time.
HKSCC EIPO channel	Your **broker** or **custodian** who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would not like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your **broker** or **custodian** for the earliest and latest time for giving such instructions, as this may vary by **broker** or **custodian**.

The **HK eIPO White Form** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the electronic application instructions are given, you shall be deemed to have declared that only one set of electronic application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of electronic application instructions for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. HKID card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. LEI registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.

2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint account holders on FINI is capped at 4 in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

   "Statutory control" means you:

   - control the composition of the board of directors of the company;
   - control more than half of the voting power of the company; or
   - hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size	:	800 Shares
Permitted number of Hong Kong Offer Shares for application and amount payable on application/ successful allotment	:	Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The Offer Price is HK$8.50 per Share.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the Offer Price, brokerage, SFC transaction levy, Hong Kong Stock Exchange trading fee and AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your **broker** or **custodian**.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Amount payable[(2)] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable[(2)] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable[(2)] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable[(2)] on application/ successful allotment
	HK$		*HK$*		*HK$*		*HK$*
800	6,868.57	16,000	137,371.55	140,000	1,202,001.16	1,000,000	8,585,722.50
1,600	13,737.16	20,000	171,714.46	160,000	1,373,715.60	1,200,000	10,302,867.00
2,400	20,605.73	24,000	206,057.35	180,000	1,545,430.06	1,400,000	12,020,011.50
3,200	27,474.31	28,000	240,400.24	200,000	1,717,144.50	1,600,000	13,737,156.00
4,000	34,342.89	32,000	274,743.12	300,000	2,575,716.76	1,800,000	15,454,300.50
4,800	41,211.47	36,000	309,086.01	400,000	3,434,289.00	2,000,000	17,171,445.00
5,600	48,080.05	40,000	343,428.90	500,000	4,292,861.26	3,000,000	25,757,167.50
6,400	54,948.62	60,000	515,143.36	600,000	5,151,433.50	4,000,000	34,342,890.00
7,200	61,817.20	80,000	686,857.80	700,000	6,010,005.76	5,059,200[(1)]	43,436,887.27
8,000	68,685.78	100,000	858,572.26	800,000	6,868,578.00		
12,000	103,028.66	120,000	1,030,286.70	900,000	7,727,150.26		

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, Hong Kong Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, Hong Kong Stock Exchange trading fee and AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "– A. Application for Hong Kong Offer Shares – 3. Information Required to Apply" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply further for any Offer Shares in the Global Offering.

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names and identification document numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications ("**Best Practice Note**") issued by the Federation of Share Registrars Limited.

Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorize us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your **broker** or **custodian**), and agree to be bound by them;

(iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your **broker** or **custodian** and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) agree that the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of their or the Company's respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (the "**Relevant Persons**"), the Hong Kong Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the Hong Kong Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "– G. Personal Data – 3. Purposes" and "– G. Personal Data – 4. Transfer of personal data" in this section;

(viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "– B. Publication of Results" in this section;

(x) confirm that you are aware of the situations specified in the paragraph headed "– C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares" in this section;

(xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving electronic application instructions to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** Service Provider or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving electronic application instructions to HKSCC and the **HK eIPO White Form** Service Provider and (2) you have due authority to give electronic application instructions on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through the **HK eIPO White Form** service or **HKSCC EIPO** channel:		
Website	From the "Allotment Results" page at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function. The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at **www.hkeipo.hk/IPOResult** or **www.tricor.com.hk/ipo/result**.	24 hours, from 11:00 p.m. on Thursday, December 19, 2024 to 12:00 midnight on Wednesday, December 25, 2024 (Hong Kong time)
	The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.xiaocaiyuan.com** which will provide links to the above mentioned websites of the Hong Kong Share Registrar.	No later than 11:00 p.m. on Thursday, December 19, 2024 (Hong Kong time).
Telephone	+852 3691 8488 – the allocation results telephone enquiry line provided by the Hong Kong Share Registrar	between 9:00 a.m. and 6:00 p.m., from Friday, December 20, 2024 to Friday, December 27, 2024 (Hong Kong time) on a business day

For those applying through **HKSCC EIPO** channel, you may also check with your **broker** or **custodian** from 6:00 p.m. on Wednesday, December 18, 2024 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Wednesday, December 18, 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.xiaocaiyuan.com** by no later than 11:00 p.m. on Thursday, December 19, 2024 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Overall Coordinators, the Hong Kong Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "– A. Application for Hong Kong Offer Shares – 5. Multiple Applications Prohibited" in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their Designated Bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the Global Offering. Hong Kong Offer Shares applied for by you through the **broker** or **custodian** may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the Hong Kong Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid at 8:00 a.m. on Friday, December 20, 2024 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	HK eIPO White Form service	HKSCC EIPO channel
Despatch/collection of Share certificate[3]		
For application of 1,000,000 Hong Kong Offer Shares or more	Collection in person at the Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong **Time:** from 9:00 a.m. to 1:00 p.m. on Friday, December 20, 2024 (Hong Kong time) If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar. **Note:** If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk	Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account No action by you is required
For application of less than 1,000,000 Hong Kong Offer Shares	Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk **Date:** Thursday, December 19, 2024	

3 Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or an "extreme conditions" as announced by the Hong Kong Government in Hong Kong in the morning on Thursday, December 19, 2024 rendering it impossible for the relevant Share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the Hong Kong Share Registrar to arrange for delivery of the supporting documents and Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "– E. Bad Weather Arrangements" in this section.

	HK eIPO White Form service	HKSCC EIPO channel
Refund mechanism for surplus application monies paid by you		
Date	Friday, December 20, 2024	Subject to the arrangement between you and your **broker** or **custodian**
Responsible party	Hong Kong Share Registrar	Your **broker** or **custodian**
Application monies paid through single bank account	**HK eIPO White Form** e-Auto Refund payment instructions to your designated bank account	Your **broker** or **custodian** will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

E. BAD WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Tuesday, December 17, 2024 if, there is:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions,

(collectively, "**Bad Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 17, 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Bad Weather Signals** in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.xiaocaiyuan.com** of the revised timetable.

If a **Bad Weather Signal** is hoisted on Thursday, December 19, 2024, the Hong Kong Share Registrar will make appropriate arrangements for the delivery of the Share certificates to the CCASS Depository's service counter so that they would be available for trading on Friday, December 20, 2024.

If a **Bad Weather Signal** is hoisted on Thursday, December 19, 2024, for application of less than 1,000,000 Hong Kong Offer Shares, the despatch of physical Share certificate(s) will be made by ordinary post when the post office re-opens after the **Bad Weather Signal** is lowered or canceled (e.g. in the afternoon of Thursday, December 19, 2024 or on Friday, December 20, 2024.

If a **Bad Weather Signal** is hoisted on Friday, December 20, 2024, for application of 1,000,000 Hong Kong Offer Shares or more, physical Share certificate(s) will be available for collection in person at the Hong Kong Share Registrar's office after the **Bad Weather Signal** is lowered or canceled (e.g. in the afternoon of Friday, December 20, 2024 or on Monday, December 23, 2024.

Prospective investors should be aware that if they choose to receive physical Share certificates issued in their own name, there may be a delay in receiving the Share certificates.

F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agreed to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the Hong Kong Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the Hong Kong Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

The Company and the Hong Kong Share Registrar will keep the personal data of the applicants for and holders of Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the Hong Kong Share Registrar, at their registered address disclosed in the section headed "Corporate information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-61, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XIAOCAIYUAN INTERNATIONAL HOLDING LTD., HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED AND UBS SECURITIES HONG KONG LIMITED

Introduction

We report on the historical financial information of Xiaocaiyuan International Holding Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-61, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2021, 2022 and 2023 and August 31, 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2021, 2022 and 2023 and the eight months ended August 31, 2024 (the "Track Record Period"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-61 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 12, 2024 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2021, 2022 and 2023 and August 31, 2024, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statements for the eight months ended August 31, 2023 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Stub Period Corresponding Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 26(d) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

December 12, 2024

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by 畢馬威華振會計師事務所(特殊普通合夥)南京分所 KPMG Huazhen LLP Nanjing Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi ("RMB"))

	Note	Years ended December 31, 2021 RMB'000	2022 RMB'000	2023 RMB'000	Eight months ended August 31, 2023 RMB'000 (unaudited)	2024 RMB'000
Revenue	*4*	2,645,773	3,213,420	4,549,415	3,070,327	3,543,998
Other revenue	*5*	10,415	28,456	43,811	21,579	29,373
Raw materials and consumables used		(913,044)	(1,087,918)	(1,433,379)	(959,122)	(1,140,473)
Staff costs	*6(b)*	(831,957)	(969,912)	(1,334,181)	(897,632)	(980,874)
Depreciation of right-of-use assets		(146,424)	(172,306)	(196,270)	(122,031)	(168,139)
Other rentals and related expenses		(51,198)	(57,418)	(58,525)	(34,990)	(63,137)
Depreciation and amortization of other assets		(93,956)	(114,317)	(133,947)	(85,448)	(113,278)
Utility expenses		(74,419)	(102,749)	(139,602)	(91,855)	(115,474)
Advertising and promotion expenses		(8,199)	(27,048)	(48,270)	(31,857)	(43,456)
Delivery service expenses		(73,650)	(185,387)	(257,886)	(166,656)	(231,084)
Other expenses	*6(c)*	(130,772)	(148,365)	(210,575)	(124,738)	(167,722)
Other net income/(losses)	*6(d)*	772	1,640	(4,918)	(2,156)	19,392
Finance costs	*6(a)*	(24,295)	(28,321)	(31,554)	(21,910)	(27,093)
Profit before taxation		309,046	349,775	744,119	553,511	542,033
Income tax	*7(a)*	(81,927)	(112,201)	(212,060)	(158,678)	(141,402)
Profit for the year/period		227,119	237,574	532,059	394,833	400,631
Attributable to:						
Equity shareholders of the Company		227,119	237,574	532,059	394,833	400,631
Earnings per share						
Basic and diluted (RMB)	*10*	N/A	N/A	N/A	N/A	N/A
Profit for the year/period		227,119	237,574	532,059	394,833	400,631
Other comprehensive income for the year/period						
Item that will not be reclassified to profit or loss:						
Exchange differences on translation of financial statements of the Company		(3)	30	613	34	1,350
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of overseas subsidiaries		–	–	(1,796)	(2,315)	(368)
Other comprehensive income for the year/period		(3)	30	(1,183)	(2,281)	982
Total comprehensive income for the year/period		227,116	237,604	530,876	392,552	401,613
Attributable to:						
Equity shareholders of the Company		227,116	237,604	530,876	392,552	401,613
Total comprehensive income for the year/period		227,116	237,604	530,876	392,552	401,613

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Renminbi ("RMB"))

	Note	As at December 31, 2021 RMB'000	2022 RMB'000	2023 RMB'000	As at August 31, 2024 RMB'000
Non-current assets					
Property, plant and equipment	*11*	415,078	425,990	583,120	700,631
Right-of-use assets	*12*	520,373	492,656	694,092	793,344
Intangible assets	*13*	4,229	3,220	2,912	2,871
Deferred tax assets	*24*	–	–	–	4,601
Rental deposits		30,656	30,059	39,765	46,589
		970,336	951,925	1,319,889	1,548,036
Current assets					
Inventories	*15*	58,088	84,771	104,898	98,313
Trade and other receivables	*16*	125,632	185,439	270,137	222,819
Financial assets at fair value through profit or loss ("FVPL")	*27(e)*	19,500	5,000	–	225,572
Restricted bank deposits	*17*	6,000	13,000	25,000	15,000
Cash and cash equivalents	*17*	20,371	63,001	620,153	596,281
		229,591	351,211	1,020,188	1,157,985
Current liabilities					
Bank loans and other borrowings	*18*	39,461	113,438	50,000	30,470
Trade and other payables	*19*	281,807	232,933	280,477	276,013
Dividend payable	*26(d)*	150,000	–	–	–
Contract liabilities	*20*	48,401	57,803	67,860	67,918
Lease liabilities	*21*	145,099	154,427	192,171	218,046
Current taxation	*24(a)*	32,940	24,087	70,526	61,932
		697,708	582,688	661,034	654,379
Net current (liabilities)/assets		(468,117)	(231,477)	359,154	503,606
Total assets less current liabilities		502,219	720,448	1,679,043	2,051,642
Non-current liabilities					
Lease liabilities	*21*	377,132	352,307	518,960	608,563
Provisions	*22*	18,115	20,135	24,962	27,975
Deferred tax liabilities	*24(b)*	4,466	23,116	10,137	–
Redemption liability	*25*	–	–	413,242	535,685
Derivative financial instruments	*25*	–	–	88,650	66,700
		399,713	395,558	1,055,951	1,238,923
NET ASSETS		102,506	324,890	623,092	812,719
CAPITAL AND RESERVES					
Share capital	*26(a)*	322	322	64	64
Reserves		102,184	324,568	623,028	812,655
TOTAL EQUITY		102,506	324,890	623,092	812,719

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY
(Expressed in Renminbi ("RMB"))

	Note	As at December 31, 2021 RMB'000	As at December 31, 2022 RMB'000	As at December 31, 2023 RMB'000	As at August 31, 2024 RMB'000
Non-current assets					
Trade and other receivables	16	319	348	71	71
Investment in subsidiaries	14	–	–	53,421	53,646
		319	348	53,492	53,717
Current assets					
Trade and other receivables	16	–	–	1,499	6,418
Cash and cash equivalents	17	–	–	350,756	456,930
		–	–	352,255	463,348
Current liability					
Trade and other payables	19	–	–	9,992	23,076
Net current assets		–	–	342,263	440,272
Non-current liability					
Redemption liability	25	–	–	413,242	535,685
Derivative financial instruments	25	–	–	88,650	66,700
		–	–	501,892	602,385
NET ASSETS/(LIABILITIES)		319	348	(106,137)	(108,396)
CAPITAL AND RESERVES					
Share capital		322	322	64	64
Reserves		(3)	26	(106,201)	(108,460)
TOTAL EQUITY/(DEFICIT)		319	348	(106,137)	(108,396)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi ("RMB"))

	Note	**Share capital** *RMB'000* *26(a)*	**Capital reserve** *RMB'000* *26(c)(i)*	**Share-based payments reserve** *RMB'000* *26(c)(ii)*	**Exchange reserve** *RMB'000*	**Statutory surplus reserve** *RMB'000* *26(c)(iii)*	**(Accumulated losses)/ retained profits** *RMB'000*	**Total equity** *RMB'000*
Balance at January 1, 2021		–	20,000	224,856	–	10,115	(216,314)	38,657
Changes in equity for 2021:								
Profit for the year		–	–	–	–	–	227,119	227,119
Other comprehensive income		–	–	–	(3)	–	–	(3)
Total comprehensive income		–	–	–	(3)	–	227,119	227,116
Issuance of new shares	*26(a)*	322	–	–	–	–	–	322
Appropriation to statutory reserve	*26(c)(iii)*	–	–	–	–	3,267	(3,267)	–
Equity settled share-based transactions	*26(c)(ii)*	–	–	6,451	–	–	–	6,451
Dividends declared	*26(d)*	–	–	–	–	–	(150,000)	(150,000)
Capital injection from an investor	*26(c)(i)*	–	1,015	–	–	–	–	1,015
Reorganization	*26(c)(i)*	–	(21,015)	–	–	–	(40)	(21,055)
Balance at December 31, 2021		322	–	231,307	(3)	13,382	(142,502)	102,506
Balance at January 1, 2022		322	–	231,307	(3)	13,382	(142,502)	102,506
Changes in equity for 2022:								
Profit for the year		–	–	–	–	–	237,574	237,574
Other comprehensive income		–	–	–	30	–	–	30
Total comprehensive income		–	–	–	30	–	237,574	237,604
Appropriation to statutory reserve	*26(c)(iii)*	–	–	–	–	20,916	(20,916)	–
Other distribution	*26(e)*	–	–	–	–	–	(15,220)	(15,220)
Balance at December 31, 2022		322	–	231,307	27	34,298	58,936	324,890

The accompanying notes form part of the Historical Financial Information.

	Note	**Share capital**	**Capital reserve**	**Other reserve**	**Share-based payments reserve**	**Exchange reserve**	**Statutory surplus reserve**	**Retained profits**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		26(a)	*26(c)(i)*	*26(c)(iv)*	*26(c)(ii)*		*26(c)(iii)*	*26(e)*	
Balance at January 1, 2023		322	–	–	231,307	27	34,298	58,936	324,890
Changes in equity for year ended 2023:									
Profit for the year		–	–	–	–	–	–	532,059	532,059
Other comprehensive income		–	–	–	–	(1,183)	–	–	(1,183)
Total comprehensive income		–	–	–	–	(1,183)	–	532,059	530,876
Appropriation to statutory reserve	*26(c)(iii)*	–	–	–	–	–	25,219	(25,219)	–
Dividends declared	*26(d)*	–	–	–	–	–	–	(135,276)	(135,276)
Financial instruments issued to an investor	*26(c)(iv)*	–	–	(97,140)	–	–	–	–	(97,140)
Repurchase of shares	*26(a)*	(258)	–	–	–	–	–	–	(258)
Balance at December 31, 2023		64	–	(97,140)	231,307	(1,156)	59,517	430,500	623,092

The accompanying notes form part of the Historical Financial Information.

	Note	Share capital RMB'000 26(a)	Capital reserve RMB'000 26(c)(i)	Other reserve RMB'000 26(c)(iv)	Share-based payments reserve RMB'000 26(c)(ii)	Exchange reserve RMB'000	Statutory surplus reserve RMB'000 26(c)(iii)	Retained profits RMB'000 26(e)	Total equity RMB'000
Balance at January 1, 2024		64	–	(97,140)	231,307	(1,156)	59,517	430,500	623,092
Changes in equity for eight months ended August 31, 2024:									
Profit for the period		–	–	–	–	–	–	400,631	400,631
Other comprehensive income		–	–	–	–	982	–	–	982
Total comprehensive income		–	–	–	–	982	–	400,631	401,613
Appropriation to statutory reserve	26(c)(iii)	–	–	–	–	–	6,288	(6,288)	–
Dividends declared	26(d)	–	–	–	–	–	–	(187,500)	(187,500)
Financial instruments issued to an investor	26(c)(iv)	–	–	(24,486)	–	–	–	–	(24,486)
Balance at August 31, 2024		64	–	(121,626)	231,307	(174)	65,805	637,343	812,719

The accompanying notes form part of the Historical Financial Information.

(unaudited)

	Note	Share capital *RMB'000* *26(a)*	Capital reserve *RMB'000* *26(c)(i)*	Other reserve *RMB'000* *26(c)(iv)*	Share-based payments reserve *RMB'000* *26(c)(ii)*	Exchange reserve *RMB'000*	Statutory surplus reserve *RMB'000* *26(c)(iii)*	Retained profits *RMB'000* *26(e)*	Total equity *RMB'000*
Balance at January 1, 2023		322	–	–	231,307	27	34,298	58,936	324,890
Changes in equity for eight months ended August 31, 2023:									
Profit for the period		–	–	–	–	–	–	394,833	394,833
Other comprehensive income		–	–	–	–	(2,281)	–	–	(2,281)
Total comprehensive income		–	–	–	–	(2,281)	–	394,833	392,552
Appropriation to statutory reserve	*26(c)(iii)*	–	–	–	–	–	10,194	(10,194)	–
Dividends declared		–	–	–	–	–	–	(135,276)	(135,276)
Repurchase of shares	*26(a)*	(258)	–	–	–	–	–	–	(258)
Balance at August 31, 2023		64	–	–	231,307	(2,254)	44,492	308,299	581,908

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in Renminbi ("RMB"))

	Note	Years ended December 31, 2021 RMB'000	2022 RMB'000	2023 RMB'000	Eight months ended August 31, 2023 RMB'000 (unaudited)	2024 RMB'000
Operating activities						
Cash generated from operations	*17(b)*	399,898	536,536	1,044,939	835,034	860,218
Income tax paid	*24*	(78,742)	(102,404)	(178,600)	(143,901)	(164,734)
Net cash generated from operating activities		321,156	434,132	866,339	691,133	695,484
Investing activities						
Payment for the purchase of property, plant and equipment		(169,884)	(94,283)	(309,160)	(221,981)	(247,153)
Payment for purchase of intangible assets		(1,155)	(1,981)	(1,358)	(612)	(793)
(Payment for purchase)/proceeds from disposal of financial assets measured at FVPL, net		(19,500)	14,500	5,000	(74,000)	(225,000)
Investment income received		333	1,761	2,556	1,461	1,522
Payment for provisions		–	–	(59)	(59)	–
Interest income received		91	189	7,286	3,462	15,180
Net cash used in investing activities		(190,115)	(79,814)	(295,735)	(291,729)	(456,244)
Financing activities						
Proceeds from bank loans and other borrowings	*17(c)*	38,000	123,500	50,000	31,900	–
Repayment of bank loans and other borrowings	*17(c)*	(16,383)	(49,523)	(113,438)	(45,000)	(20,000)
Proceeds from financial instruments issued to an investor	*17(c)*	–	–	400,000	150,000	100,000
Payment of the redemption liability	*17(c)*	–	–	–	–	(3,149)
Payment of capital element of lease liabilities	*17(c)*	(116,506)	(150,353)	(172,068)	(97,065)	(136,007)
Payment of interest element of lease liabilities	*17(c)*	(22,191)	(24,504)	(28,218)	(19,665)	(25,780)
Advances from related parties	*17(c)*	12,200	28,312	–	–	–
Repayments of advances from related parties	*17(c)*	(6,468)	(58,144)	–	–	–
Capital injection from an investor		1,015	–	–	–	–
Payment arising from Reorganisation		–	(21,055)	–	–	–
Interest expenses of bank loans paid	*17(c)*	(1,379)	(2,921)	(2,299)	(1,594)	–
Placements of restricted bank deposits		(6,000)	(13,000)	(30,200)	(15,200)	–
Withdrawal of restricted bank deposits		–	6,000	18,200	2,000	10,000
Payment of listing expenses	*17(c)*	–	–	(833)	–	(1,113)
Dividends paid	*17(c)*	–	(150,000)	(135,276)	(135,276)	(187,500)

The accompanying notes form part of the Historical Financial Information.

	Note	Years ended December 31, 2021 RMB'000	2022 RMB'000	2023 RMB'000	Eight months ended August 31, 2023 RMB'000 (unaudited)	2024 RMB'000
Net cash used in financing activities		(117,712)	(311,688)	(14,132)	(129,900)	(263,549)
Net increase/(decrease) in cash and cash equivalents		13,329	42,630	556,472	269,504	(24,309)
Cash and cash equivalents at January 1	*17(a)*	7,042	20,371	63,001	63,001	620,153
Effect of foreign exchange rate changes		–	–	680	672	437
Cash and cash equivalents at December 31/August 31	*17(a)*	20,371	63,001	620,153	333,177	596,281

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Xiaocaiyuan International Holding Ltd. (the "Company") was incorporated in the Cayman Islands on October 19, 2021 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business operations since the date of its incorporation save for the group reorganization ("Reorganization") as described below and detailed in the section headed "History, Reorganization and Corporate Structure" in the Prospectus. During the Track Record Period, the Company and its subsidiaries (together, the "Group") are principally engaged in restaurant operations, catering delivery services and supply chain management (the "Listing Business") in the People's Republic of China (the "PRC"). Details of the Group's subsidiaries are set out in Note 14.

Prior to the Reorganization, the Listing Business was carried out by Anhui Xiaocaiyuan Catering Management Company Limited ("Xiaocaiyuan Catering") and Anhui Hongjingxuan Supply Chain Management Company Limited ("Anhui Hongjingxuan"), which were wholly owned by Anhui Xiaocaiyuan Holding Company Limited ("Anhui Xiaocaiyuan Holding"). To rationalise the corporate structure in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent the Reorganization. The Company, through its wholly-owned subsidiary, Anhui Xiaocaiyuan Catering Holdings Company Limited (the "Xiaocaiyuan Catering Holdings"), acquired entire equity interests of Xiaocaiyuan Catering. Meanwhile, the Company through another wholly-owned subsidiary, Anhui Xiaocaiyuan Supply Chain Company Limited, acquired the supply chain activities of Anhui Hongjingxuan. Upon completion of the Reorganization, the Company became the holding company of the Listing Business carried out by the above-mentioned entities now comprising the Group.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period as set out in the Historical Financial Information include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment, whichever is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2021, 2022 and 2023 and August 31, 2024 as set out in the Historical Financial Information have been prepared to present the financial position of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of incorporation or establishment, where applicable. Intra-group balances, transactions and unrealized gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

The Historical Financial Information have been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). Further details of the material accounting policy information adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2024. The Group has not applied any new standard or interpretation that is not yet effective during the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective are set out in Note 31.

The Historical Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The Historical Financial Information and the Stub Period Corresponding Financial Information are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that financial assets and financial liabilities are stated at their fair value as explained in the accounting policies set out below:

– Other investments in securities (see Note 2 (e))

– Convertible bonds and derivative financial instruments (see Note 2 (w)).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)(ii)).

(d) Business combination involving entities under common control

The Historical Financial Information incorporates the financial information items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling shareholder.

The assets and liabilities of the combining entities or businesses are combined at the carrying amounts previously recognized in the respective controlling shareholder's financial statements.

The consolidated statements of profit or loss and comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been consolidated at the earliest balance sheet date presented or when they first came under common control, whichever is later.

(e) Other investments in securities

Investments in debt securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 27(e). These investments are subsequently accounted for as follows, depending on their classification.

Non-equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(s)(ii)).

- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Leasehold improvements	Over the shorter of the lease term or the estimated useful life of the asset
– Buildings	20 years
– Kitchen equipment	5 years
– Electronic equipment and others	1 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents properties under construction and machinery and equipment pending installation and is stated at cost less impairment losses (see Note 2(i)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation policies specified above.

No depreciation is provided in respect of construction in progress.

(g) Intangible assets

Intangible assets, including software and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses (see Note 2(i)(ii)).

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognized in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– Software	3-5 years
– Trademarks	10 years

Software is stated at cost less any impairment losses and is amortized on the straight-line basis over the estimated useful life of 3-5 years. The useful lives of the software are assessed by the Group after considering the contractual term, the current functionality equipped by the software, using plan and operation needs of software.

Trademarks are stated at cost less any impairment losses and are amortized on the straight-line basis over the estimated useful life of 10 years. The useful lives of the trademarks are assessed by the Group after considering the remaining period of economic benefits to be derived. The estimation of the useful lives has taken into account the granted validity period and the iteration cycle of trademarks.

Both the period and method of amortization are reviewed annually.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily apartments and kitchen equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortized cost (see Note 2(e)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortized cost (including cash, restricted bank deposits, time deposits, trade and other receivables).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof.

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognized in accordance with Note 2(s)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it is becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– intangible assets; and

– investments in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. any indication of impairment.

– Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognized.

(j) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value.

Cost of inventories are calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(k) Contract assets and contract liabilities

A contract asset is recognized when the Group recognized revenue (see Note 2(s)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(i)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(l)).

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see Note 2(s)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see Note 2(l)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(s)(ii)).

(l) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost, using the effective interest method and including an allowance for credit losses (see Note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions. Cash are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(i)(i).

(n) Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see Note 2(u)).

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contribution to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC are recognized as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognized as an expense.

(ii) Share-based payments

The fair value of share granted to employees is recognized as an employee cost with a corresponding increase in a share-based payment reserve within equity. The fair value is measured at grant date using income approach model, taking into account the terms and conditions upon which the shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior periods is charged/credited to the profit or loss for the period of the review. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the share-based payments reserve).

(iii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

- taxable temporary differences arising on the initial recognition of goodwill; and

- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development.

The Group recognized deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(r) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sales of goods or the provision of services.

Revenue is recognized when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group principally generates revenue from restaurant operations and delivery business. Revenue excludes value added tax or other sales taxes and is after deduction of other sales taxes or any trade discounts.

For restaurant operations and delivery business for which the control of services is transferred at a point in time, revenue is recognized when the related services have been rendered to customers.

(ii) Interest income

Interest income is recognized as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognized as deferred income at fair value and then recognized in profit or loss as other income on a systematic basis over the useful life of the asset.

(t) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of the Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Financial instruments issued to an investor

(i) Convertible bonds

The Group designated its convertible bonds at fair value through profit or loss on initial recognition. Any directly attributable transaction costs are recognized as finance costs in the consolidated statements of profit or loss and other comprehensive income. Subsequent to initial recognition, the convertible bonds are carried at fair value with changes in fair value recognized in the profit or loss except for the portion attributed to its own credit risk which is presented in other comprehensive income.

(ii) Derivative financial instruments

Derivative financial instruments represent a compensation right that are recognized at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss.

(iii) Redemption liability

Preferred shares give rise to financial liabilities if they are redeemable at the option of the preferred shareholders upon occurrence of events that are beyond the control of both the Company and the preferred shareholders. At initial recognition, such financial liabilities are measured at the present value of the redemption price, which represents the settlement that would be triggered by the event with the highest settlement outcome, and may change from time to time. Changes in the carrying amount of the financial liabilities are recognized in profit or loss. If the preferred shares are converted into ordinary shares, the carrying amount of the financial liabilities is transferred to equity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES

Note 27(e) contains information about the assumptions and its risk factors relating to valuation of derivative financial instrument.

Other significant sources of estimation uncertainty in the process of applying the Group's accounting policies are as follows:

(i) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

(ii) Impairment of property, plant and equipment, right-of-use assets and intangible assets

Internal and external sources of information are reviewed at the end of each reporting period to assess whether there is any indication that property, plant and equipment, right-of-use assets and intangible assets may be impaired. If any such indication exists, the recoverable amount of the property, plant and equipment, right-of-use assets and intangible assets is estimated. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

(iii) Provision for restoration costs

As explained in Note 22, the Group makes provision for restoration costs based on the best estimate of the expected costs to be incurred upon expiry of the respective tenancy agreements, which are subject to uncertainty and might differ from the actual costs incurred. Any increase or decrease in the provision would affect profit or loss in future periods.

(iv) Depreciation and amortization

Property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation or amortization expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are restaurant operations and delivery business in the PRC.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Years ended December 31,			Eight months ended August 31,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15:					
– Restaurant operations	2,235,184	2,183,409	3,051,094	2,112,683	2,222,341
– Delivery business	409,518	1,029,539	1,491,354	953,346	1,313,025
– Others	1,071	472	6,967	4,298	8,632
	2,645,773	3,213,420	4,549,415	3,070,327	3,543,998
Disaggregated by timing of revenue recognition					
– Point in time	2,645,773	3,213,420	4,549,415	3,070,327	3,543,998

No revenue from individual customer contributed over 10% of total revenue of the Group for the Track Record Period.

(ii) Revenue expected to be recognized in the future arising from contracts in existence at the reporting date

As at December 31, 2021, 2022 and 2023 and August 31, 2024, the Group has applied the practical expedient in paragraph 121 of IFRS 15 to its contracts for rendering service such that information about revenue expected to be recognized in the future is not disclosed in respect of revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for rendering service that had an expected duration of one year or less.

(b) Segment reporting

The directors of the Company have been identified as the Group's most senior executive management. The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The Group has one operating segment, which is restaurant operations and delivery business. The Group's most senior executive management reviews the Group's consolidated results of operations in assessing performance of and making decisions about allocations to this segment. Accordingly, no reportable segment information is presented.

As substantially all of the Group's operations and assets are in the PRC, no geographic information is presented.

5 OTHER REVENUE

	Years ended December 31,			Eight months ended August 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other revenue					
Interest income on:					
– bank deposits	91	189	7,286	3,462	15,180
– rental deposits	1,144	1,512	1,736	985	1,582
	1,235	1,701	9,022	4,447	16,762
Investment income on wealth management products	333	1,761	2,556	1,461	1,522
Changes in fair value of wealth management products	–	–	–	308	572
Government grants *(Note)*	8,847	24,994	32,233	15,363	10,517
	10,415	28,456	43,811	21,579	29,373

Note: Government grants mainly represent additional deduction and exemption on value-added tax and various forms of incentives and subsidies granted to the Group by the local government authorities in the PRC.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Years ended December 31,			Eight months ended August 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank loans	1,379	2,921	2,299	1,594	470
Interest on lease liabilities	22,191	24,504	28,218	19,665	25,780
Interest on provisions	725	896	1,037	651	843
	24,295	28,321	31,554	21,910	27,093

(b) Staff costs

	Years ended December 31,			Eight months ended August 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, wages and other benefits	797,911	940,773	1,303,795	878,451	958,898
Contributions to defined contribution retirement plan *(i)*	27,595	29,139	30,386	19,181	21,976
Equity-settled share-based payment expenses	6,451	–	–	–	–
	831,957	969,912	1,334,181	897,632	980,874

Note:

(i) The employees of the subsidiaries of the Group established in the PRC participate in a defined contribution scheme managed by the local municipal governments, whereby these companies are required to contribute to the scheme at certain rates of the employees' salaries as agreed by the local municipal governments. Employees of these companies are entitled to benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement scheme at their normal retirement age.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other expenses

	Years ended December 31,			Eight months ended August 31,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Property management expenses	71,690	84,705	104,768	65,330	87,445
Transportation and related expenses	12,626	16,394	25,563	16,125	21,533
Administrative expenses	8,031	8,971	15,613	9,625	8,148
Professional service expenses	6,409	5,291	8,390	3,874	6,198
Listing expenses	–	–	8,493	–	11,959
Cleaning fees	5,948	8,744	14,870	9,265	9,531
Taxes and surcharges	5,430	8,802	9,184	6,779	8,484
Business development expenses	5,262	3,388	4,450	2,198	3,632
Impairment losses of property, plant and equipment and right-of-use assets	334	977	658	712	1,781
Others	15,042	11,093	18,586	10,830	9,011
	130,772	148,365	210,575	124,738	167,722

(d) Other net (income)/losses

	Years ended December 31,			Eight months ended August 31,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net losses on disposal of property, plant and equipment and right-of-use assets	467	3,284	4,465	1,080	3,794
COVID-19-Related rent concessions received	(1,862)	(3,617)	–	–	–
Changes in carrying amount of the redemption liability	–	–	1,699	–	26,148
Changes in fair value of the convertible bonds and derivative financial instruments	–	–	3,733	4,141	(46,437)
Exchange gains	–	–	(1,988)	–	(327)
Other losses/(income)	623	(1,307)	(2,991)	(3,065)	(2,570)
	(772)	(1,640)	4,918	2,156	(19,392)

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Years ended December 31,			Eight months ended August 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax					
Provision for the year/period	80,591	93,551	210,008	143,857	135,307
	80,591	93,551	210,008	143,857	135,307
Deferred tax					
Origination and reversal of tax losses and temporary differences	1,336	18,650	2,052	14,821	6,095
	81,927	112,201	212,060	158,678	141,402

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended December 31,			Eight months ended August 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	309,046	349,775	744,119	553,511	542,033
Notional tax on profit before taxation, calculated at the applicable rates in the tax jurisdictions concerned *(Note i, ii, iii)*	77,261	87,446	187,291	137,672	124,045
Tax benefit of subsidiaries subject to preferential tax rates *(Note iii)*	(1,566)	(405)	(383)	(356)	(500)
Tax effect of non-deductible expenses	6,167	6,819	4,855	3,911	2,324
Tax effect of unused tax losses not recognized	105	3,310	774	86	1,786
Tax effect of utilization of tax losses not recognized in previous years	(40)	–	(1,310)	(1,302)	(253)
PRC dividend withholding tax	–	15,031	20,833	18,667	14,000
Actual tax expenses	81,927	112,201	212,060	158,678	141,402

Notes:

(i) Pursuant to the tax rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) The applicable profits tax rate of the Group's subsidiaries incorporated in Hong Kong was 16.5% for the Track Record Period. A two-tiered profits tax rates regime was introduced in 2018 whereby the first HKD2 million in assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) while the remaining profits will continue to be taxed at 16.5%.

The subsidiaries in Hong Kong of the Group did not have any assessable profits for the Tract Record Period.

(iii) Taxable income for the subsidiaries of the Company in the PRC are subject to PRC income tax rate of 25% for the Track Record Period, unless otherwise specified below.

For the years ended December 31, 2021 and 2022, the Group's certain subsidiaries fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the PRC and were entitled to a preferential income tax rate of 2.5% on taxable income for the first RMB1,000,000, 10% and 5% on taxable income for the subsequent RMB1,000,000 to RMB3,000,000 for the year ended December 31, 2021 and December 31, 2022 respectively.

For the year ended December 31, 2023 and the eight months ended August 31, 2024, the Group's certain subsidiaries fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the PRC, and were entitled to a preferential income tax rate of 5% on taxable income for the first RMB1,000,000 and 5% on taxable income for the subsequent RMB1,000,000 to RMB3,000,000.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments as recorded in the Historical Financial Information are as follows:

For the year ended December 31, 2021

	Directors' fee	Salaries, allowances and benefits	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman and executive director							
Mr. Wang Shugao	–	547	–	17	564	–	564
Executive directors							
Mr. Li Daoqing	–	520	–	17	537	–	537
Mr. Tian Chunyong	–	536	–	17	553	–	553
Mr. Zhou Bin	–	641	–	17	658	–	658
Ms. Wang Weifang	–	621	–	17	638	–	638
Mr. Tao Xu'an	–	617	–	17	634	–	634
	–	3,482	–	102	3,584	–	3,584

For the year ended December 31, 2022

	Directors' fee	Salaries, allowances and benefits	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman and executive director							
Mr. Wang Shugao	–	779	–	17	796	–	796
Executive directors							
Mr. Li Daoqing	–	779	–	19	798	–	798
Mr. Tian Chunyong	–	694	–	19	713	–	713
Mr. Zhou Bin	–	901	–	17	918	–	918
Ms. Wang Weifang	–	1,141	–	17	1,158	–	1,158
Mr. Tao Xu'an	–	1,172	–	19	1,191	–	1,191
	–	5,466	–	108	5,574	–	5,574

For the year ended December 31, 2023

	Directors' fee *RMB'000*	Salaries, allowances and benefits *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Sub-Total *RMB'000*	Share-based payments *RMB'000*	Total *RMB'000*
Chairman and executive director							
Mr. Wang Shugao	–	537	–	17	554	–	554
Executive directors							
Mr. Li Daoqing	–	562	–	19	581	–	581
Mr. Tian Chunyong	–	542	–	19	561	–	561
Mr. Zhou Bin	–	695	–	20	715	–	715
Ms. Wang Weifang	–	665	–	17	682	–	682
Mr. Tao Xu'an	–	688	–	19	707	–	707
	–	3,689	–	111	3,800	–	3,800

For the eight months ended August 31, 2023 (unaudited)

	Directors' fee *RMB'000*	Salaries, allowances and benefits *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Sub-Total *RMB'000*	Share-based payments *RMB'000*	Total *RMB'000*
Chairman and executive director							
Mr. Wang Shugao	–	385	–	12	397	–	397
Executive directors							
Mr. Li Daoqing	–	401	–	13	414	–	414
Mr. Tian Chunyong	–	399	–	13	412	–	412
Mr. Zhou Bin	–	459	–	15	474	–	474
Ms. Wang Weifang	–	443	–	12	455	–	455
Mr. Tao Xu'an	–	353	–	13	366	–	366
	–	2,440	–	78	2,518	–	2,518

For the eight months ended August 31, 2024

	Directors' fee *RMB'000*	Salaries, allowances and benefits *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Sub-Total *RMB'000*	Share-based payments *RMB'000*	Total *RMB'000*
Chairman and executive director							
Mr. Wang Shugao	–	252	–	12	264	–	264
Executive directors							
Mr. Li Daoqing	–	305	–	13	318	–	318
Mr. Tian Chunyong	–	323	–	13	336	–	336
Mr. Zhou Bin	–	329	–	24	353	–	353
Ms. Wang Weifang	–	270	–	12	282	–	282
Mr. Tao Xu'an	–	323	–	13	336	–	336
	–	1,802	–	87	1,889	–	1,889

During the Track Record Period, no director has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four, four, three, two (unaudited) and one are directors whose emoluments are disclosed in Note 8 during the years ended December 31, 2021, 2022 and 2023 and the eight months ended August 31, 2023 and 2024, respectively. The aggregate of the emoluments in respect of the paid amount to remaining individuals are as follows:

	Years ended December 31,			Eight months ended August 31,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other emoluments	603	905	1,381	1,290	1,598
Retirement scheme contributions	17	17	36	36	55
	620	922	1,417	1,326	1,653

The emoluments of the one, one, two, three (unaudited) and four individuals with the highest emoluments are within the following bands:

	Years ended December 31,			Eight months ended August 31,	
	2021	**2022**	**2023**	**2023**	**2024**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
Hong Kong Dollar ("HKD")					
Nil to HKD1,000,000	1	–	2	3	4
HKD1,000,001 to HKD1,500,000	–	1	–	–	–

During the Track Record Period, no amounts were paid or payable by the Group to the above non-director highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

10 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the basis of preparation and presentation set out in Note 1.

11 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount of property, plant and equipment

	Buildings	Kitchen equipment	Electronic equipment and others	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At January 1, 2021	14,318	62,148	45,755	11,510	230,737	364,468
Additions	–	11,259	1,934	85,778	108,117	207,088
Transfer from construction in progress	–	30,775	9,838	(40,613)	–	–
Disposals	–	(1,219)	(451)	–	(2,990)	(4,660)
At December 31, 2021 and January 1, 2022	14,318	102,963	57,076	56,675	335,864	566,896
Additions	6,857	3,119	12,773	103,068	5,168	130,985
Transfer from construction in progress	43,334	21,579	10,840	(132,893)	57,140	–
Disposals	–	(3,724)	(2,609)	–	(8,254)	(14,587)

	Buildings *RMB'000*	Kitchen equipment *RMB'000*	Electronic equipment and others *RMB'000*	Construction in progress *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
At December 31, 2022 and January 1, 2023	64,509	123,937	78,080	26,850	389,918	683,294
Additions	–	14,797	45,179	236,704	2,180	298,860
Transfer from construction in progress	–	54,150	1,857	(197,189)	141,182	–
Disposals	–	(9,297)	(4,026)	–	(27,825)	(41,148)
At December 31, 2023 and January 1, 2024	64,509	183,587	121,090	66,365	505,455	941,006
Additions	–	6,885	27,034	203,069	2,220	239,208
Transfer from construction in progress	–	62,728	1,839	(197,544)	132,977	–
Disposals	–	(8,455)	(4,323)	–	(21,929)	(34,707)
At August 31, 2024	64,509	244,745	145,640	71,890	618,723	1,145,507
Accumulated depreciation:						
At January 1, 2021	1,491	9,202	5,198	–	45,100	60,991
Charge for the year	606	17,876	9,036	–	66,361	93,879
Written back on disposals	–	(700)	(260)	–	(2,834)	(3,794)
At December 31, 2021 and January 1, 2022	2,097	26,378	13,974	–	108,627	151,076
Charge for the year	1,758	23,497	12,079	–	75,936	113,270
Written back on disposals	–	(2,037)	(1,311)	–	(4,565)	(7,913)
At December 31, 2022 and January 1, 2023	3,855	47,838	24,742	–	179,998	256,433
Charge for the year	3,061	28,159	17,198	–	84,419	132,837
Written back on disposals	–	(6,419)	(2,552)	–	(23,159)	(32,130)
At December 31, 2023 and January 1, 2024	6,916	69,578	39,388	–	241,258	357,140
Charge for the period	2,044	25,456	15,166	–	69,778	112,444
Written back on disposals	–	(5,667)	(2,667)	–	(17,819)	(26,153)
At August 31, 2024	8,960	89,367	51,887	–	293,217	443,431
Impairment:						
At January 1, 2021	–	199	31	–	512	742
Charge for the year	–	–	–	–	–	–
At December 31, 2021 and January 1, 2022	–	199	31	–	512	742
Charge for the year	–	228	60	–	583	871
Written back on disposals	–	(199)	(31)	–	(512)	(742)
At December 31, 2022 and January 1, 2023	–	228	60	–	583	871
Charge for the year	–	–	–	–	626	626
Written back on disposals	–	(114)	(54)	–	(583)	(751)
At December 31, 2023 and January 1, 2024	–	114	6	–	626	746
Charge for the period	–	–	–	–	1,779	1,779
Written back on disposals	–	–	–	–	(1,080)	(1,080)
At August 31, 2024	–	114	6	–	1,325	1,445

	Buildings	Kitchen equipment	Electronic equipment and others	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net book value						
At August 31, 2024:	55,549	155,264	93,747	71,890	324,181	700,631
At December 31, 2023	57,593	113,895	81,696	66,365	263,571	583,120
At December 31, 2022	60,654	75,871	53,278	26,850	209,337	425,990
At December 31, 2021	12,221	76,386	43,071	56,675	226,725	415,078

All of the property, plant and equipment owned by the Group are located in the PRC.

Impairment loss

As at December 31, 2021, 2022 and 2023 and August 31, 2024, in view of the unfavorable future prospects of certain restaurants, the Group's management estimated the recoverable amount of each such restaurant (cash-generating unit ("CGU")) with an indication of impairment. The recoverable amount of each CGU is determined based on fair value less cost of disposal or the value-in-use calculations by preparing cash flow projections of the relevant CGUs derived from the most recent financial forecast approved by the management covering the remaining lease term, which is higher. The cash flows are discounted using a discount rate of 13.5%, 14.5%, 14.3% and 14.0% as at December 31, 2021, 2022 and 2023 and August 31, 2024, respectively. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU.

During the years ended December 31, 2021, 2022 and 2023 and eight months ended August 31, 2024, an impairment loss of RMB334,000, RMB977,000, RMB658,000 and RMB1,781,000 was recognized, respectively, as the carrying amount of certain cash-generating units ("CGUs") exceeded their recoverable amount. The impairment loss was allocated to the assets in related restaurant including right-of-use assets, leasehold improvement and other property, plant and equipment within CGU on a pro rata basis, was recognized in profit or loss as the "Other expenses" in the consolidated statements of profit or loss and other comprehensive income respectively.

12 RIGHT-OF-USE ASSETS

(a) The reconciliation of the carrying amounts of right-of-use assets by class of underlying asset is as follows:

	Properties	Leasehold land	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At January 1, 2021	392,130	–	392,130
Additions	366,256	–	366,256
At December 31, 2021 and January 1, 2022	758,386	–	758,386
Additions	147,253	–	147,253
Disposals	(8,201)	–	(8,201)
At December 31, 2022 and January 1, 2023	897,438	–	897,438
Additions	405,181	–	405,181
Disposals	(10,317)	–	(10,317)
At December 31, 2023 and January 1, 2024	1,292,302	–	1,292,302
Additions	257,116	12,453	269,569
Disposals	(3,679)	–	(3,679)
At August 31, 2024	1,545,739	12,453	1,558,192

	Properties	Leasehold land	Total
	RMB'000	*RMB'000*	*RMB'000*
Accumulated depreciation:			
At January 1, 2021	(91,255)	–	(91,255)
Charge for the year	(146,424)	–	(146,424)
At December 31, 2021 and January 1, 2022	(237,679)	–	(237,679)
Charge for the year	(172,306)	–	(172,306)
Written back on disposals	5,308	–	5,308
At December 31, 2022 and January 1, 2023	(404,677)	–	(404,677)
Charge for the year	(196,270)	–	(196,270)
Written back on disposals	2,769	–	2,769
At December 31, 2023 and January 1, 2024	(598,178)	–	(598,178)
Charge for the period	(167,973)	(166)	(168,139)
Written back on disposals	1,471	–	1,471
At August 31, 2024	(764,680)	(166)	(764,846)
Impairment (Note 11):			
At January 1, 2021	–	–	–
Charge for the year	(334)	–	(334)
At December 31, 2021 and January 1, 2022	(334)	–	(334)
Charge for the year	(105)	–	(105)
Written back on disposals	334	–	334
At December 31, 2022 and January 1, 2023	(105)	–	(105)
Charge for the year	(32)	–	(32)
Written back on disposals	105	–	105
At December 31, 2023 and January 1, 2024	(32)	–	(32)
Charge for the period	(2)	–	(2)
Written back on disposals	32	–	32
At August 31, 2024	(2)	–	(2)
Net book value:			
At August 31, 2024	781,057	12,287	793,344
At December 31, 2023	694,092	–	694,092
At December 31, 2022	492,656	–	492,656
At December 31, 2021	520,373	–	520,373

(b) The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	Years ended December 31,			Eight months ended 31 August,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:					
– Properties	146,424	172,306	196,270	122,031	168,139
Interest on lease liabilities *(Note 6(a))*	22,191	24,504	28,218	19,665	25,780
COVID-19-Related rent concessions received *(Note iii)*	(2,315)	(4,125)	–	–	–
Expense relating to short-term leases	38,175	41,688	28,855	13,284	47,900
Variable lease payments not included in the measurement of lease liabilities	13,023	15,730	29,670	21,706	15,237

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 17(d) and 21, respectively.

Notes:

(i) Properties – Right-of-use assets

The Group has obtained the right of use properties as its restaurants through tenancy agreements. The leases typically run for an initial period of lease terms of 2 to 13 years. Lease payments are usually increased every 1 year to reflect market rentals.

(ii) Rental deposits

The refundable rental deposits themselves are not parts of the lease payments and the measurement are within the scope of IFRS 9. Therefore, the rental deposits should be measured at fair value on initial recognition. The difference between the initial fair value and the nominal value of the deposit is an additional lease payment made by the Group and it is included in the measurement of the right-of-use assets.

(iii) COVID-19 Related rent concessions received

2021			COVID-19-Related rent concessions received			
	Fixed payments	**Variable payments**	**Deducted from Variable payments**	**Recognized as income**	**Subtotal**	**Total payments**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Properties	138,697	13,023	(453)	(1,862)	(2,315)	149,405

2022			COVID-19-Related rent concessions received			
	Fixed payments	**Variable payments**	**Deducted from Variable payments**	**Recognized as income**	**Subtotal**	**Total payments**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Properties	174,857	15,730	(508)	(3,617)	(4,125)	186,462

13 INTANGIBLE ASSETS

	Software *RMB'000*	Trademarks *RMB'000*	Total *RMB'000*
Cost:			
At January 1, 2021	–	–	–
Addition	4,306	–	4,306
At December 31, 2021 and January 1, 2022	4,306	–	4,306
Addition	38	–	38
At December 31, 2022 and January 1, 2023	4,344	–	4,344
Addition	189	613	802
At December 31, 2023 and January 1, 2024	4,533	613	5,146
Addition	793	–	793
At August 31, 2024	5,326	613	5,939
Accumulated amortization:			
At January 1, 2021	–	–	–
Charge for the year	77	–	77
At December 31, 2021 and January 1, 2022	77	–	77
Charge for the year	1,047	–	1,047
At December 31, 2022 and January 1, 2023	1,124	–	1,124
Charge for the year	1,059	51	1,110
At December 31, 2023 and January 1, 2024	2,183	51	2,234
Charge for the period	793	41	834
At August 31, 2024	2,976	92	3,068
Net book value:			
At December 31, 2021	4,229	–	4,229
At December 31, 2022	3,220	–	3,220
At December 31, 2023	2,350	562	2,912
At August 31, 2024	2,350	521	2,871

14 INTERESTS IN SUBSIDIARIES

The Company

	As at December 31,			As at August 31,
	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*	2024 *RMB'000*
Investment in a subsidiary, at cost	–	–	53,421	53,646

Note: As at December 31, 2021, 2022 and 2023 and August 31, 2024, the Company's investments in a subsidiary was nil, nil, USD7,306,000 (equivalent to RMB53,421,000) and USD7,306,000 (equivalent to RMB53,646,000).

During the Tract Record Period, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

				Effective interest held by the Group					
Company name	Place and date of incorporation/ establishment	Particulars of issued capital	Particulars of paid-up capital	As at December 31, 2021	2022	2023	As at August 31, 2024	At the date of report	Principal activities
Directly held by the Company									
XCY 168 Limited *(Notes (b)(e))*	The British Virgin Islands November 03, 2021	USD50,000	–	100%	100%	100%	100%	100%	Investment Holding
Indirectly held by the Company									
Xiaocaiyuan HK Holding Limited (小菜園香港控股有限公司) *(Notes (c)(e))*	Hong Kong November 24, 2021	HKD50,000	–	100%	100%	100%	100%	100%	Investment Holding
Anhui Xiaocaiyuan Catering Holdings Company Limited (安徽小菜園餐飲控股有限公司) *(Notes (a)(d)(e))*	The People's Republic of China December 09, 2021	RMB50,000,000	RMB50,000,000	100%	100%	100%	100%	100%	Investment Holding
Anhui Xiaocaiyuan Catering Management Company Limited (安徽小菜園餐飲管理有限責任公司) *(Notes (a)(b)(e))*	The People's Republic of China June 09, 2013	RMB20,100,500	RMB20,100,500	100%	100%	100%	100%	100%	Restaurant operations and delivery business
Xiaocaiyuan (Shanghai) Catering Management Company Limited (小菜園(上海)餐飲管理有限公司) *(Notes (a)(b)(e))*	The People's Republic of China November 30, 2020	RMB5,000,000	RMB5,000,000	100%	100%	100%	100%	100%	Restaurant operations and delivery business
Anhui Guandi Catering Management Company Limited (安徽觀邸餐飲管理有限責任公司) *(Notes (a)(b)(e))*	The People's Republic of China June 13, 2017	RMB5,000,000	RMB5,000,000	100%	100%	100%	100%	100%	Restaurant operations and delivery business
Hangzhou Xiaocaiyuan Catering Management Company Limited (杭州小菜園餐飲管理有限責任公司) *(Notes (a)(b)(e))*	The People's Republic of China November 07, 2019	RMB3,000,000	RMB3,000,000	100%	100%	100%	100%	100%	Restaurant operations and delivery business
Wuhan Xiaocaiyuan Catering Management Company Limited (武漢小菜園餐飲管理有限責任公司) *(Notes (a)(b)(e))*	The People's Republic of China July 29, 2020	RMB1,000,000	RMB1,000,000	100%	100%	100%	100%	100%	Restaurant operations and delivery business
Beijing Xiaocaiyuan Catering Management Company Limited (北京小菜園餐飲管理有限責任公司) *(Notes (a)(b)(e))*	The People's Republic of China December 01, 2016	RMB1,000,000	RMB1,000,000	100%	100%	100%	100%	100%	Restaurant operations and delivery business
Anhui Shangweitang Catering Management Company Limited (安徽尚味堂餐飲管理有限公司) *(Notes (a)(b)(e))*	The People's Republic of China July 04, 2019	RMB10,000,000	RMB10,000,000	100%	100%	100%	100%	100%	Restaurant operations and delivery business

Company name	Place and date of incorporation/ establishment	Particulars of issued capital	Particulars of paid-up capital	Effective interest held by the Group As at December 31, 2021	2022	2023	As at August 31, 2024	At the date of report	Principal activities
Anhui Shangyuan catering service Company Limited (安徽尚園餐飲服務有限公司) *(Notes (a)(b)(e))*	The People's Republic of China October 31, 2022	RMB5,000,000	RMB5,000,000	–	100%	100%	100%	100%	Supply chain management and delivery business
Xiaocaiyuan Nanjing Catering Management Company Limited (小菜園南京餐飲管理有限責任公司) *(Notes (a)(b)(e))*	The People's Republic of China July 30, 2020	RMB60,000,000	RMB60,000,000	100%	100%	100%	100%	100%	Restaurant operations and delivery business
Xiaocaiyuan (Suzhou) Catering Management Company Limited (小菜園(蘇州)餐飲管理有限責任公司) *(Notes (a)(b)(e))*	The People's Republic of China September 11, 2020	RMB5,000,000	RMB5,000,000	100%	100%	100%	100%	100%	Restaurant operations and delivery business
Jiang Xiaowan (Shanghai) Catering Management Service Company Limited (江小皖(上海)餐飲管理服務有限公司) *(Notes (a)(b)(e))*	The People's Republic of China June 26, 2023	RMB5,000,000	RMB2,300,000	–	–	100%	100%	100%	Restaurant operations and delivery business
Zhengzhou Caicaiyuanyuan Catering Management Company Limited (鄭州菜菜園園餐飲管理有限公司) *(Notes (a)(b)(e))*	The People's Republic of China 10 July 2023	RMB5,000,000	RMB5,000,000	–	–	100%	100%	100%	Restaurant operations and delivery business
Jinan Caicaiyuanyuan Catering Management Company Limited (濟南菜菜園園餐飲管理有限公司) *(Notes (a)(b)(e))*	The People's Republic of China 10 August 2023	RMB5,000,000	RMB5,000,000	–	–	100%	100%	100%	Restaurant operations and delivery business
Anhui Fengyuan Food Company Limited (安徽豐園食品有限公司) *(Notes (a)(b)(e))*	The People's Republic of China 31 October 2022	RMB50,000,000	RMB12,000,000	–	100%	100%	100%	100%	Supply chain management and delivery business
Nanchang Xiaocaiyuan Catering Management Company Limited (南昌小菜園餐飲管理有限公司) *(Notes (a)(b)(e))*	The People's Republic of China 14 August 2023	RMB5,000,000	RMB5,000,000	–	–	100%	100%	100%	Restaurant operations and delivery business
Nanjing Caishou Catering Management Company Limited (南京菜手餐飲管理有限公司) *(Notes (a)(b)(e))*	The People's Republic of China 10 August 2023	RMB5,000,000	RMB1,000,000	–	–	100%	100%	100%	Restaurant operations and delivery business
Anhui Xiaocaiyuan Supply Chain Company Limited (安徽小菜園供應鏈有限公司) *(Notes (a)(b)(e))*	The People's Republic of China 23 June 2021	RMB60,000,000	RMB60,000,000	100%	100%	100%	100%	100%	Supply chain management and delivery business
Tongling Tiantian Fishing Catering Management Co., Ltd. (銅陵市天天打漁餐飲管理有限責任公司) *(Notes (a)(b)(e))*	The People's Republic of China 21 March 2016 (deregistration on 19 March 2021)	RMB2,000,000	–	–	–	–	–	–	Restaurant operations and delivery business

Company name	Place and date of incorporation/ establishment	Particulars of issued capital	Particulars of paid-up capital	Effective interest held by the Group As at December 31, 2021	2022	2023	As at August 31, 2024	At the date of report	Principal activities
Tongli Yunxi Technology Development Co., Ltd. (銅陵雲璽科技發展有限公司) *(Notes (a)(b) (e))*	The People's Republic of China 06 August 2020 (deregistration on 24 December 2021)	RMB1,000,000	–	–	–	–	–	–	Supply chain management and delivery business
Xiaocaiyuan Xuzhou Catering Management Co., Ltd. (小菜園徐州餐飲管理有限責任公司) *(Notes (a)(b) (e))*	The People's Republic of China 17 July 2020 (deregistration on 01 September 2021)	RMB1,000,000	–	–	–	–	–	–	Restaurant operations and delivery business
Tongling Caiyuan Enterprise Management Co., Ltd. (銅陵菜園企業管理有限公司) *(Notes (a)(b)(e))*	The People's Republic of China September 29, 2018 (deregistration on January 07, 2021)	RMB50,000	–	–	–	–	–	–	Supply chain management and delivery business
Tongling Xianghenjiu Catering Management Co., Ltd. (銅陵市想很久餐飲管理有限責任公司) *(Notes (a)(b)(e))*	The People's Republic of China August 31, 2015 (deregistration on March 31, 2021)	RMB2,000,000	–	–	–	–	–	–	Restaurant operations and delivery business
Wuhan Xu'an Catering Management Co., Ltd. (武漢旭安餐飲管理有限責任公司) *(Notes (a)(b)(e))*	The People's Republic of China August 19, 2019 (deregistration on August 23, 2021)	RMB500,000	–	–	–	–	–	–	Restaurant operations and delivery business
Hefei Xiaocaiyuan Catering Management Company Limited (合肥小菜園餐飲管理有限公司) *(Notes (a)(b)(e))*	The People's Republic of China August 16, 2019 (deregistration on December 15, 2021)	RMB2,000,000	–	–	–	–	–	–	Restaurant operations and delivery business
Xiaocaiyuan (Ma'anshan) Catering Management Company Limited (小菜園(馬鞍山)餐飲管理有限公司) *(Notes (a)(b)(e))*	The People's Republic of China 6 November 2023	RMB10,000,000	RMB8,000,000	–	–	100%	100%	100%	Restaurant operations and delivery business
Xiaocaiyuan (Ma'anshan) Supply Chain Company Limited (小菜園(馬鞍山)供應鏈有限公司) *(Notes (a)(b)(e))*	The People's Republic of China 7 November 2023	RMB60,000,000	RMB26,848,682	–	–	100%	100%	100%	Supply chain management and delivery business

Notes:

(a) The official names of these entities are in Chinese. The English names are for identification purpose only.

(b) No audited financial statements have been prepared for these entities for the Track Record Period.

(c) The entity prepared the financial statements for the period from November 24, 2021 (issuance date of business registration) to December 31, 2022 and for the years ended December 31, 2023 in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements for the period from November 24, 2021 (issuance date of business registration) to December 31, 2022 and for the years ended December 31, 2023 were audited by KPMG, certified public accountants registered in Hong Kong. As at the date of this report, no audited financial statements have been prepared for the eight months ended August 31, 2024.

(d) The entity prepared the financial statements for the years ended December 31, 2022 and 2023 in accordance with the requirements of Accounting Standards for Business Enterprise, which are also referred to as China Accounting Standards, issued by the Ministry of Finance of the PRC. The financial statements for the years ended December 31, 2022 and 2023 were audited by Tongling Jinjian Certified Public Accountants Office, certified public accountants registered in PRC. As at the date of this report, no audited financial statements have been prepared for the year ended December 31, 2021 and eight months ended August 31, 2024.

(e) These entities are limited liability companies.

All companies comprising the Group have adopted December 31 as their financial year end date.

15 INVENTORIES

	As at December 31,			As at August 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Food ingredients	41,779	63,082	80,567	74,062
Condiment products	6,799	11,133	10,051	10,055
Beverage	3,315	2,955	3,524	3,765
Others	6,195	7,601	10,756	10,431
	58,088	84,771	104,898	98,313

The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	Years ended December 31,			Eight months ended August 31,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Carrying amount of inventories sold and consumed	913,044	1,087,918	1,433,379	959,122	1,140,473

All of the inventories are expected to be recovered within one year.

16 TRADE AND OTHER RECEIVABLES

The Group

	As at December 31,			As at August 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade debtors	17,284	27,071	33,707	31,376
Other receivables and deposits	28,911	61,154	88,901	73,790
Prepayments	75,829	87,356	134,107	106,834
Value added tax recoverable	3,608	9,858	13,422	10,819
	125,632	185,439	270,137	222,819

Note:

(i) Prepayments mainly represent prepayments for prepayments of procurement, rental and property management expenses, utilities expenses and listing expenses.

Aging analysis

As of the end of the reporting period, the aging analysis of trade debtors (which are included in trade and other receivables), based on the revenue recognition date, is as follows:

	As at December 31, 2021	2022	2023	As at August 31, 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	15,442	22,812	31,580	28,629
1 to 3 months	1,555	2,805	1,489	1,656
3 to 6 months	139	704	224	829
Over 6 months but within 1 year	148	750	414	262
	17,284	27,071	33,707	31,376

Trade debtors are due within 1 year from the date of revenue recognition. Further details on the Group's credit policy are set out in Note 27.

The Company

	As at December 31, 2021	2022	2023	As at August 31, 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables (Non-current)	319	348	71	71
Trade and other receivables (Current)	–	–	1,499	6,418
	319	348	1,570	6,489

17 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

The Group

	As at December 31, 2021	2022	2023	As at August 31, 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	4,224	–	1	12
Cash at bank	22,147	76,001	645,152	611,269
Less: Restricted deposits	(6,000)	(13,000)	(25,000)	(15,000)
	20,371	63,001	620,153	596,281

The Company

	As at December 31, 2021	2022	2023	As at August 31, 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	–	–	350,756	456,930

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Years ended December 31, 2021 RMB'000	2022 RMB'000	2023 RMB'000	Eight months ended 31 August, 2023 RMB'000 (unaudited)	2024 RMB'000
Profit before taxation		309,046	349,775	744,119	553,511	542,033
Adjustments for:						
Interest income	5	(1,235)	(1,701)	(9,022)	(4,447)	(16,762)
Investment income	5	(333)	(1,761)	(2,556)	(1,461)	(1,522)
Depreciation and amortization		240,380	286,623	330,217	207,479	281,417
Finance costs	6(a)	24,295	28,321	31,554	21,910	27,093
Changes in carrying amount of the redemption liability	6(d)	–	–	1,699	–	26,148
Changes in fair value of the convertible bonds and derivative financial instruments	6(d)	–	–	3,733	4,141	(46,437)
Equity-settled share-based payment expenses	6(b)	6,451	–	–	–	–
Covid-19-related rent concessions received	6(d)	(1,862)	(3,617)	–	–	–
Impairment losses of property, plant and equipment and right-of-use assets	6(c)	334	977	658	712	1,781
Net loss on disposal of property, plant and equipment and right-of-use assets	6(d)	467	3,284	4,465	1,080	3,794
Changes in working capital:						
(Increase)/decrease in inventories		(20,799)	(26,683)	(20,127)	(11,327)	6,585
(Increase)/decrease in trade and other receivables, and rental deposits		(64,376)	(59,210)	(95,903)	23,252	40,494
(Decrease)/increase in trade and other payables		(99,346)	(48,874)	46,045	25,080	(4,464)
Increase in contract liabilities		6,876	9,402	10,057	15,104	58
Cash generated from operations		399,898	536,536	1,044,939	835,034	860,218

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Lease liabilities RMB'000 (Note 21)	Bank loans and other borrowings RMB'000 (Note 18)	Amounts due to related parties RMB'000 (Note 29)	Redemption liability and derivative financial instruments RMB'000 (Note 25)	Dividend payable RMB'000 (Note 26(d))	Total RMB'000
At January 1, 2021	304,490	17,844	24,100	–	–	346,434
Proceeds from bank loans and other borrowings	–	38,000	–	–	–	38,000
Repayment of bank loans and other borrowings	–	(16,383)	–	–	–	(16,383)
Interest of bank loans and other borrowings paid	–	(1,379)	–	–	–	(1,379)

	Lease liabilities *RMB'000* *(Note 21)*	Bank loans and other borrowings *RMB'000* *(Note 18)*	Amounts due to related parties *RMB'000* *(Note 29)*	Redemption liability and derivative financial instruments *RMB'000* *(Note 25)*	Dividend payable *RMB'000* *(Note 26(d))*	Total *RMB'000*
Advances from related parties	–	–	12,200	–	–	12,200
Repayments of Advances from related parties	–	–	(6,468)	–	–	(6,468)
Payment of capital element of lease liabilities	(116,506)	–	–	–	–	(116,506)
Payment of interest element of lease liabilities	(22,191)	–	–	–	–	(22,191)
Total changes from financing cash flows	(138,697)	20,238	5,732	–	–	(112,727)
Other changes:						
Interest expenses	22,191	1,379	–	–	–	23,570
Increase in lease liabilities from entering into new leases during the year	334,247	–	–	–	–	334,247
Dividend declared	–	–	–	–	150,000	150,000
Total other changes	356,438	1,379	–	–	150,000	507,817
At December 31, 2021 and January 1, 2022	522,231	39,461	29,832	–	150,000	741,524
Proceeds from bank loans	–	123,500	–	–	–	123,500
Repayment of bank loans	–	(49,523)	–	–	–	(49,523)
Interest of bank loans paid	–	(2,921)	–	–	–	(2,921)
Advances from related parties	–	–	28,312	–	–	28,312
Repayments of Advances from related parties	–	–	(58,144)	–	–	(58,144)
Payment of capital element of lease liabilities	(150,353)	–	–	–	–	(150,353)
Payment of interest element of lease liabilities	(24,504)	–	–	–	–	(24,504)
Dividend paid	–	–	–	–	(150,000)	(150,000)
Total changes from financing cash flows	(174,857)	71,056	(29,832)	–	(150,000)	(283,633)

	Lease liabilities *RMB'000* *(Note 21)*	Bank loans and other borrowings *RMB'000* *(Note 18)*	Amounts due to related parties *RMB'000* *(Note 29)*	Redemption liability and derivative financial instruments *RMB'000* *(Note 25)*	Dividend payable *RMB'000* *(Note 26(d))*	Total *RMB'000*
Other changes:						
Interest expenses	24,504	2,921	–	–	–	27,425
Increase in lease liabilities from entering into new leases during the year	142,026	–	–	–	–	142,026
Decrease in lease liabilities from ceasing leases contract during the year	(7,170)	–	–	–	–	(7,170)
Total other changes	159,360	2,921	–	–	–	162,281
At December 31, 2022	506,734	113,438	–	–	–	620,172

	Lease liabilities *RMB'000* *(Note 21)*	Bank loans and other borrowings *RMB'000* *(Note 18)*	Amounts due to related parties *RMB'000* *(Note 29)*	Redemption liability and derivative financial instruments *RMB'000* *(Note 25)*	Dividend payable *RMB'000* *(Note 26(d))*	Listing expense payable (included in trade and other payables) *RMB'000* *(Note 19)*	Total *RMB'000*
At January 1, 2023	506,734	113,438	–	–	–	–	620,172
Proceeds from bank loans	–	50,000	–	–	–	–	50,000
Repayment of bank loans	–	(113,438)	–	–	–	–	(113,438)
Interest expenses of bank loans paid	–	(2,299)	–	–	–	–	(2,299)
Proceeds from the financial instruments issued to an investor	–	–	–	400,000	–	–	400,000
Payment of capital element of lease liabilities	(172,068)	–	–	–	–	–	(172,068)
Payment of interest element of lease liabilities	(28,218)	–	–	–	–	–	(28,218)
Dividend paid	–	–	–	–	(135,276)	–	(135,276)
Listing expenses paid	–	–	–	–	–	(833)	(833)
Total changes from financing cash flows	(200,286)	(65,737)	–	400,000	(135,276)	(833)	(2,132)
Other changes:							
Interest expenses	28,218	2,299	–	–	–	–	30,517
Increase in lease liabilities from entering into new leases during the year	384,952	–	–	–	–	–	384,952
Decrease in lease liabilities from ceasing leases contract during the year	(8,487)	–	–	–	–	–	(8,487)
Changes in carrying amount of the redemption liability	–	–	–	1,699	–	–	1,699

	Lease liabilities RMB'000 (Note 21)	Bank loans and other borrowings RMB'000 (Note 18)	Amounts due to related parties RMB'000 (Note 29)	Redemption liability and derivative financial instruments RMB'000 (Note 25)	Dividend payable RMB'000 (Note 26(d))	Listing expense payable (included in trade and other payables) RMB'000 (Note 19)	Total RMB'000
Changes in fair value of the convertible bonds and derivative financial instruments	–	–	–	3,733	–	–	3,733
Decrease in other reserve	–	–	–	97,140	–	–	97,140
Effect of foreign exchange rate changes	–	–	–	(680)	–	–	(680)
Dividend declared	–	–	–	–	135,276	–	135,276
Addition	–	–	–	–	–	5,271	5,271
Total other changes	404,683	2,299	–	101,892	135,276	5,271	649,421
At December 31, 2023 and January 1, 2024	711,131	50,000	–	501,892	–	4,438	1,267,461
Repayment of bank loans	–	(20,000)	–	–	–	–	(20,000)
Proceeds from the financial instruments issued to an investor	–	–	–	100,000	–	–	100,000
Payment of capital element of lease liabilities	(136,007)	–	–	–	–	–	(136,007)
Payment of interest element of lease liabilities	(25,780)	–	–	–	–	–	(25,780)
Payment of the redemption liability	–	–	–	(3,149)	–	–	(3,149)
Dividend paid	–	–	–	(13,152)	(174,348)	–	(187,500)
Listing expenses paid	–	–	–	–	–	(1,113)	(1,113)
Total changes from financing cash flows	(161,787)	(20,000)	–	83,699	(174,348)	(1,113)	(273,549)
Other changes:							
Interest expenses	25,780	470	–	–	–	–	26,250
Increase in lease liabilities from entering into new leases during the year	291,581	–	–	–	–	–	291,581
Decrease in lease liabilities from ceasing leases contract during the year	(40,096)	–	–	–	–	–	(40,096)
Changes in carrying amount of the redemption liability	–	–	–	26,148	–	–	26,148
Changes in fair value of the convertible bonds and derivative financial instruments	–	–	–	(46,437)	–	–	(46,437)
Increase in other reserve-Redeemable convertible preferred shares	–	–	–	24,486	–	–	24,486
Dividend declared	–	–	–	13,152	174,348	–	187,500
Effect of foreign exchange rate changes	–	–	–	(555)	–	–	(555)
Addition	–	–	–	–	–	1,636	1,636
Total other changes	277,265	470	–	16,794	174,348	1,636	470,513
At August 31, 2024	826,609	30,470	–	602,385	–	4,961	1,464,425

(d) Total cash outflow for leases

	Years ended December 31, 2021	2022	2023	Eight months ended August 31, 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within operating cash flows	51,198	57,418	58,525	63,137
Within financing cash flows	138,697	174,857	200,286	161,787
	189,895	232,275	258,811	224,924

18 BANK LOANS AND OTHER BORROWINGS

The analysis of the carrying amount of current bank loans and other borrowings is as follows:

	As at December 31, 2021	2022	2023	As at August 31, 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	38,000	113,000	50,000	30,470
Other borrowings	1,461	438	–	–
	39,461	113,438	50,000	30,470

As at December 31, 2021, 2022 and 2023, and August 31, 2024, the banking facilities of the Group totaling RMB70,000,000, RMB280,000,000, RMB720,000,000 and RMB720,000,000 were utilized to the extent of RMB38,000,000, RMB113,000,000, RMB50,000,000 and RMB30,000,000 respectively. These bank facilities granted to the Group before December 2023 were guaranteed by Mr. Wang Shugao, Mr. Li Daoqing, Mr. Tian Chunyong, Mr. Zhou Bin, Ms. Wang Weifang, Mr. Tao Xu'an, Mr. Chen Haiyan, Mr. Ye Hongli, Mr. Fang Zhiguo, Ms. Zhou Taoxia, whom are the shareholders and their spouse ("the individual shareholder and the spouse"), and corporate guarantees provided by Xiaocaiyuan Catering. The guarantee of the individual shareholder and the spouse was released in December 2023.

19 TRADE AND OTHER PAYABLES

The Group

	As at December 31, 2021	2022	2023	As at August 31, 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	87,464	65,256	81,577	65,148
Staff cost payable	75,652	78,062	108,190	127,014
Other taxes payable	5,427	7,039	8,558	10,780
Other payables and accrued charges	28,502	46,009	82,152	73,071
Amounts due to related parties	84,762	36,567	–	–
	281,807	232,933	280,477	276,013

The amounts due to related parties are unsecured, interest-free and have no fixed-term of repayment.

As at December 31, 2021, 2022 and 2023 and August 31, 2024, the aging analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	As at December 31,			As at August 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	87,464	65,256	81,577	65,148

The Company

	As at December 31,			As at August 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables (Current)	–	–	9,992	23,076

20 CONTRACT LIABILITIES

	As at December 31,			As at August 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities related to prepaid cards	47,803	57,402	66,604	65,834
Contract liabilities related to customer membership programs	598	401	1,256	2,084
	48,401	57,803	67,860	67,918

Movement in contract liabilities

	As at December 31,			As at August 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	31,942	48,401	57,803	67,860
Net increase in contract liabilities during the year/period	48,401	57,803	67,860	67,918
Decrease in contract liabilities as a result of recognizing revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(31,942)	(48,401)	(57,803)	(67,860)
Balance at the end of the year/period	48,401	57,803	67,860	67,918

21 LEASE LIABILITIES

At December 31, 2021, 2022 and 2023 and August 31, 2024, the lease liabilities were repayable as follows:

	As at December 31,			As at August 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities included in the consolidated statement of financial position				
– Within 1 year	145,099	154,427	192,171	218,046
– After 1 year but within 2 years	133,614	131,797	164,072	192,662
– After 2 years but within 5 years	216,206	187,020	304,230	382,012
– After 5 years	27,312	33,490	50,658	33,889
	377,132	352,307	518,960	608,563
	522,231	506,734	711,131	826,609

22 PROVISIONS

	As at December 31,			As at August 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provisions for restoration costs	18,115	20,135	24,962	27,975

The movements of provisions during the Track Record Period were as follows:

	As at December 31,			As at August 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at the beginning	9,648	18,115	20,135	24,962
Additional provisions	7,742	1,124	3,849	2,170
Interest on provisions	725	896	1,037	843
Provisions utilized	–	–	(59)	–
Balance at the end	18,115	20,135	24,962	27,975

Pursuant to the terms of the respective tenancy agreements entered into by the Group, the Group is required to restore certain leased properties to the conditions as stipulated in the tenancy agreements at the expiration of the corresponding lease term as appropriate. The provision for restoration costs was estimated based on certain assumptions and estimates made by the Group's management with reference to historical restoration costs and/or other available market information. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

23 EQUITY SETTLED SHARE-BASED PAYMENTS

For the year ended December 31, 2021, four employees of the Group subscribed for limited partnership in the PRC shareholding platforms for a consideration of RMB1,800,000 in total. The subscription price in the employee share purchase arrangement is at a discount from the fair value of corresponding equity interests of Anhui Xiaocaiyuan Holding, the parent company of Xiaocaiyuan Catering before the Reorganization. The shares subscribed represent 0.6853% equity interests of Anhui Xiaocaiyuan Holding. Such share awards vest immediately at the grant date without any service or performance requirements, and free of restrictions on transfer.

Prior to the Reorganization, the equity settled share-based payments were carried out by Anhui Xiaocaiyuan Holding. The equity interests of Anhui Xiaocaiyuan Holding was subsequently converted into shares of the Company upon the Reorganization. Further details of the Reorganization are set out in Note 1.

The excess of the fair value of the corresponding equity interests of Anhui Xiaocaiyuan Holding over the cash consideration received is accounted for as a share-based payment to those four qualified employees. The grant date fair value of the corresponding equity interests of four qualified employees was RMB8,251,000 which was determined with the assistance of an independent third-party valuation firm, AVISTA Valuation Advisory Limited, and discounted cash flow method under the income approach was used. The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market. The pre tax discount rates used for the grant date fair value were 19% during the year ended December 31, 2021.

The difference between the grant date fair value of RMB8,251,000 and the consideration of RMB1,800,000 being RMB6,451,000 was charged to the profit or loss and other capital reserve for the year ended December 31, 2021.

No dividend has been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share awards.

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents

	As at December 31, 2021	2022	2023	As at August 31, 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	31,091	32,940	24,087	70,526
Provision for income tax for the year/period	80,591	93,551	210,008	135,307
Income tax paid	(78,742)	(102,404)	(163,569)	(143,901)
At the end of the year/period	32,940	24,087	70,526	61,932

(b) Deferred tax assets and liabilities recognized

The components of deferred tax assets and liabilities recognized in the consolidated statements of financial position and the movements during the year/period are as follows:

Deferred tax arising from:	Right-of-use assets	Lease liabilities	Provision	Withholding tax on dividend	Accruals	Impairment	Wealth management products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2021	81,850	(76,123)	(2,412)	–	–	(185)	–	3,130
Charged/(credited) to profit or loss	58,148	(54,436)	(2,117)	–	(175)	(84)	–	1,336
At December 31, 2021 and January 1, 2022	139,998	(130,559)	(4,529)	–	(175)	(269)	–	4,466
Charged/(credited) to profit or loss	249	3,874	(505)	15,031	(25)	26	–	18,650
At December 31, 2022 and January 1, 2023	140,247	(126,685)	(5,034)	15,031	(200)	(243)	–	23,116
Payment for the year	–	–	–	(15,031)	–	–	–	(15,031)
Charged/(credited) to profit or loss	33,277	(51,099)	(1,207)	20,833	200	48	–	2,052
At December 31, 2023 and January 1, 2024	173,524	(177,784)	(6,241)	20,833	–	(195)	–	10,137
Payment for the period	–	–	–	(20,833)	–	–	–	(20,833)
Charged/(credited) to profit or loss	21,740	(28,868)	(753)	14,000	–	(167)	143	6,095
At August 31, 2024	195,264	(206,652)	(6,994)	14,000	–	(362)	143	(4,601)

According to PRC corporate income tax laws and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since January 1, 2008.

As at December 31, 2021, 2022 and 2023 and August 31, 2024, deferred tax liabilities of Nil, RMB15,031,000, RMB20,833,000 and RMB14,000,000 have been recognized in connection with the withholding tax that would be payable on the distribution of retained profits of the Group's PRC subsidiaries in the foreseeable future.

In accordance with accounting policy set out in Note 2(q), the Group has not recognized deferred tax assets in respect of cumulative unused tax losses arising from the Group of RMB4,300,000, RMB7,742,000, RMB2,502,000 and RMB7,394,000 as of December 31, 2021, 2022 and 2023 and August 31, 2024, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the Historical Financial Information in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB88,805,000, RMB139,900,000, RMB463,950,000 and RMB721,870,000 as at December 31, 2021, 2022 and 2023 and August 31, 2024, respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

(c) Reconciliation to consolidated statements of financial position

	As at December 31,			As at August 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognized in the consolidated statements of financial position	–	–	–	4,601
Net deferred tax liabilities recognized in the consolidated statements of financial position	(4,466)	(23,116)	(10,137)	–
	(4,466)	(23,116)	(10,137)	4,601

25 FINANCIAL INSTRUMENTS ISSUED TO AN INVESTOR

The Company, together with XCY 168 Limited, Xiaocaiyuan HK Holding Limited, Xiaocaiyuan Catering Holdings and Xiaocaiyuan Catering, entered into a convertible bond investment agreement on November 27, 2022, and a supplemental agreement on December 29, 2022, with Harvest Delicacy Infinite Corporation ("Harvest Delicacy" or the "Pre-IPO Investor" (initial public offering is defined as IPO)), pursuant to which the Company issued convertible bonds, warrants and a compensation right to the Pre-IPO Investor for a total consideration of RMB150,000,000 equivalent in USD translated at the foreign exchange rate published by the People's Bank of China on the payment date, being USD21,469,978. On February 28, 2023, the Company received the consideration from Harvest Delicacy of USD21,469,978 and those financial instruments were issued.

On December 1, 2023, in accordance with the existing agreements, Harvest Delicacy converted the convertible bonds into 242.19 series A preferred shares ("Series A Preferred Shares") of the Company. The convertible bonds were converted into 242.19 Series A Preferred Shares on December 1, 2023.

On December 18, 2023, the Company issued additional 403.66 Series A Preferred Shares for RMB250,000,000 equivalent in USD translated at the foreign exchange rate published by the People's Bank of China on the payment date to Harvest Delicacy, being USD34,963,079. The consideration of USD34,963,079 for the additional 403.66 Series A Preferred Shares was received and the Series A Preferred Shares was issued.

On January 8, 2024, the Company issued additional 107.53 Series B Preferred Shares for RMB100,000,000 equivalent in USD translated at the foreign exchange rate published by the People's Bank of China on the payment date to Harvest Delicacy, being USD13,910,721. The consideration of USD13,910,721 for the additional 107.53 Series B Preferred Shares was received and the Series B Preferred Shares were issued.

Certain key special rights attributable to the Pre-IPO Investor are summarized as follows:

Redeemable convertible preferred shares

- ***Redemption rights***

Shares issued by the Company for the Series A Preferred Shares shall be redeemable by the Company upon the occurrence of certain events, including:

(i) a qualified IPO application does not occur within 48 months from the issuance of the Series A Preferred Shares or a qualified IPO does not occur within 60 months from the issuance the Series A Preferred Shares;

(ii) the Company didn't meet the annual profit growth target of 10% from 2022 to 2024; and

(iii) any breach of contractual terms or misconducts by the Company or the founding shareholders of the Company.

The redemption price of the preferred shares shall equal to the higher of (i) the aggregate of the original issue price plus an amount accruing daily at 8% per annum of the original issue price plus all declared but unpaid dividends (ii) the fair value of the net assets of the Company corresponding to the proportion of shares redeemed.

- ***Liquidation preference***

In the event of any liquidation including dissolution, bankruptcy, winding up of the Company or other deemed liquidation event (such as the event that results in a change in controlling shareholder of the Company or a significant change of the business of the Company, etc), preferred shareholder is entitled to receive, prior to and in preference to any distribution of any of the assets or surplus funds of the Company to founding shareholders an amount equals to the higher of (i) and (ii) below.

(i) the aggregate of the original issue price plus an amount accruing daily at 8% per annum of the original issue price plus all declared but unpaid dividends;

(ii) the fair value of the net assets of the Company corresponding to the proportion of shares redeemed on the date of liquidation.

- ***Conversion rights***

Upon completion of the IPO, all preferred rights of the holders of preferred shares will be terminated and the preferred shares will be automatically converted to ordinary shares.

Presentation and classification

The redeemable convertible preferred shares are financial liabilities which are recognized as redemption liability, because the Company has an obligation to pay cash to the preferred shareholder upon events which are beyond the control of the Company and the preferred shareholder. The redemption liability is measured at the higher amount, on a present value basis, which the Company could be required to pay to the preferred shareholder.

On December 1, 2023, the difference between the fair value of convertible bonds of RMB121,220,000 (equivalent to USD17,048,000) and the initial carrying amount of the redemption liability arising from the redeemable convertible preferred shares of RMB162,223,000 (equivalent to USD22,815,000), being RMB41,003,000 (equivalent to USD5,767,000) is recognized in equity as "other reserve" in the consolidated statements of changes in equity.

On December 18, 2023, the difference between the proceeds received by the Company of RMB250,000,000 (equivalent to USD34,963,079) and the initial measurement of the redemption liability and compensation rights, being RMB56,137,000 is recognized in equity as "other reserve" in the consolidated statements of changes in equity.

As at December 31, 2023 and August 31, 2024, the redemption liability arising from the Pre-IPO Investments are measured at present value of the redemption price which is the higher of (i) the transaction price at initial recognition, and subsequently at amortized cost at an effective interest rate of 8% per annum plus all declared but unpaid dividends; (ii) the fair value of the net assets of the Company corresponding to the proportion of shares redeemed. The changes in carrying amount of the redemption liability, being RMB1,699,000 and RMB26,148,000 for 2023 and the eight months ended August 31, 2024, respectively, is recognized in "other net (income)/losses" in the consolidated statements of profit or loss and other comprehensive income.

During the eight months period ended August 31, 2024, the Company declared a dividend of RMB187,500,000, among which, RMB13,152,000 was declared to the preferred share holder, and the amount was settled in May 2024. In addition, in May 2024, the Company paid the amount of RMB3,149,000 to compensate the preferred share holder in respect of the profit distribution in 2023 before the investment of preferred share holder in accordance with the investment agreement.

Pre-IPO Investor's compensation right

If the market value of the Company upon an IPO is less than 130% of the Company's valuation post the Pre-IPO Investor's investment, the post-investment valuation of the Company on which the conversion ratio is based would be adjusted, such that the Pre-IPO Investor may choose any of the following compensations:

(i) The Company issues new shares to the Pre-IPO Investor free of charge or at the lowest price allowed by law;

(ii) The controlling shareholder of the Company transfers shares to the Pre-IPO Investor free of charge or for nominal consideration;

(iii) The Company or the controlling shareholder of the Company provides cash compensation to the Pre-IPO Investor; or

(iv) Other ways suggested by the Pre-IPO Investor which is permitted by laws and regulations (including but not limited to adjusting the conversion price of the Series A Preferred Shares held by the Pre-IPO Investor).

Presentation and classification

Such compensation right are financial liabilities which are recognized as derivative financial instruments and measured at fair value through profit or loss. The Company has engaged an independent valuer to determine the fair value. The detailed information is set out in Note 27(e).

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

The Company was incorporated in the Cayman Islands on October 19, 2021 with authorized share capital of USD50,000 divided into 50,000 ordinary shares with a par value of USD1.00 each.

Ordinary Shares	**Number of shares**	**Amount** *USD'000*	**Share capital** *RMB'000*
At October 19, 2021 (date of incorporation)	–	–	–
Issuance of new shares	50,000	50	322
At December 31, 2021 and December 31, 2022	50,000	50	322
Repurchase of shares *(Note)*	(40,000)	(40)	(258)
At December 31, 2023 and August 31, 2024	10,000	10	64

Note: On February 10, 2023, 40,000 shares have been repurchased and canceled by the Company.

(b) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital *RMB'000*	**Exchange reserve** *RMB'000*	**Other reserve** *RMB'000*	**(Accumulated losses)/ retained profits** *RMB'000*	**Total equity/ (Deficit)** *RMB'000*
At October 19, 2021 (date of incorporation)	–	–	–	–	–
Issuance of shares	322	–	–	–	322
Other comprehensive loss	–	(3)	–	–	(3)

	Share capital *RMB'000*	Exchange reserve *RMB'000*	Other reserve *RMB'000*	(Accumulated losses)/ retained profits *RMB'000*	Total equity/ (Deficit) *RMB'000*
At December 31, 2021 and January 1, 2022	322	(3)	–	–	319
Other comprehensive income	–	29	–	–	29
At December 31, 2022 and January 1, 2023	322	26	–	–	348
Repurchase of shares	(258)	–	–	–	(258)
Profit for the year	–	–	–	125,788	125,788
Other comprehensive income	–	401	–	–	401
Financial instruments issued to an investor	–	–	(97,140)	–	(97,140)
Dividends declared	–	–	–	(135,276)	(135,276)
At December 31, 2023 and January 1, 2024	64	427	(97,140)	(9,488)	(106,137)
Profit for the period	–	–	–	209,035	209,035
Other comprehensive loss	–	692	–	–	692
Financial instruments issued to an investor	–	–	(24,486)	–	(24,486)
Dividends declared	–	–	–	(187,500)	(187,500)
At August 31, 2024	64	1,119	(121,626)	12,047	(108,396)

(c) Nature and purposes of reserves

(i) Capital reserve

Capital reserve represented the paid-in capital of Xiaocaiyuan Catering during the course of the Reorganization. For the year ended December 31, 2021, as part of the Reorganization, Xiaocaiyuan Catering Holdings acquired the entire equity interests of Xiaocaiyuan Catering at a consideration of RMB21,055,000 from its then shareholders. The consideration paid to its then shareholder of Anhui Xiaocaiyuan Holding was treated as deemed distribution from the Group.

(ii) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value granted to the directors and employees of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in Note 2(p)(ii).

(iii) Statutory reserve

Statutory reserves are established in accordance with the PRC Company Law and the Articles of Association of the companies comprising the Group which are incorporated in the PRC.

Appropriations to the reserves were required to allocate 10% of their profits after tax until the reserves reach 50% of their respective registered capital.

Statutory reserve fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(iv) Other reserve

Other reserve represents the amount arising from the adjustment of financial instruments issued to an investor as described in Note 25.

(d) Dividends

Dividends of RMB150,000,000 were declared by Xiaocaiyuan Catering for the year ended December 31, 2021.

Dividends of nil, nil, RMB135,276,000 and RMB187,500,000 were declared by the Company to its shareholders for the years ended December 31, 2021, 2022 and 2023 and eight months ended August 31, 2024, respectively.

(e) Accumulated loss/retained profits

Other distribution

The Group waived amounts due from Anhui Hongjingxuan, a company under common control of the Group as a part of Reorganization, of RMB15,220,000. The transaction was treated as distribution to the shareholders.

(f) Capital Management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

The Group's overall strategy remains unchanged throughout the years ended December 31, 2021, 2022 and 2023. The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities divided by its total assets, as at December 31, 2021, 2022 and 2023 and August 31, 2024 was 91%, 75%, 73% and 70% respectively.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and rental deposits.

In determining the ECL for rental deposits and other receivables, management of the Group have taken into account the historical default experience and forward-looking information, as appropriate. Management of the Group have assessed that rental deposits and other receivables have not had a significant increase in credit risk since initial recognition and risk of default is insignificant, and therefore, no ECL allowance for rental deposits and other receivables is recognized at December 31, 2021, 2022 and 2023 and August 31, 2024.

The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high-credit-quality, for which the Group considers to have low credit risk. The Group's exposure to credit risk arising from trade receivables is also limited, because most of the Group's trade receivables are settled through reputable payment platforms such as UnionPay, Alipay and WeChat Pay within 3 days.

The expected credit loss rate is insignificant and close to zero.

The Group does not provide any guarantees which would expose the Group to credit risk.

(b) Liquidity risk

In management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contracted rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	December 31, 2021					
	Contractual undiscounted cash outflows					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	281,807	–	–	–	281,807	281,807
Bank loan and other borrowings	40,081	–	–	–	40,081	39,461
Dividend payable	150,000	–	–	–	150,000	150,000
Lease liabilities	166,916	148,662	231,834	28,633	576,045	522,231
	638,804	148,662	231,834	28,633	1,047,933	993,499

	December 31, 2022					
	Contractual undiscounted cash outflows					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	232,933	–	–	–	232,933	232,933
Bank loan and other borrowings	115,865	–	–	–	115,865	113,438
Lease liabilities	174,285	145,037	197,838	32,293	549,453	506,734
	523,083	145,037	197,838	32,293	898,251	853,105

	December 31, 2023					
	Contractual undiscounted cash outflows					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	280,477	–	–	–	280,477	280,477
Bank loan and other borrowings	51,151	–	–	–	51,151	50,000
Lease liabilities	232,762	197,017	354,204	53,573	837,556	711,131
Redemption liability	413,242	–	–	–	413,242	413,242
Derivative financial instruments	88,650	–	–	–	88,650	88,650
	1,066,282	197,017	354,204	53,573	1,671,076	1,543,500

	August 31, 2024 Contractual undiscounted cash outflows					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	276,013	–	–	–	276,013	276,013
Bank loan and other borrowings	30,557	–	–	–	30,557	30,470
Lease liabilities	262,392	223,187	415,914	38,206	939,699	826,609
Redemption liability	535,685	–	–	–	535,685	535,685
Derivative financial instruments	66,700	–	–	–	66,700	66,700
	1,171,347	223,187	415,914	38,206	1,848,654	1,735,477

(c) Interest rate risk

The Group's bank balances, other than short-term and long-term bank deposits, expose to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate. The management of the Company consider the Group's exposure to interest rate risk in respect of bank balances and interest-bearing bank and other borrowings is not significant.

(d) Currency risk

The Group is exposed to currency risk which is primarily attributable to financial liabilities that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk are primarily Renminbi ("RMB") of the Company.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of each reporting period during the Track Record Period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB translated using the spot rate at the end of each reporting period during the Track Record Period.

	Exposure to foreign currencies (expressed in RMB)	
	As at December 31, 2023	As at August 31, 2024
	RMB'000	*RMB'000*
Redemption liability	413,242	535,685

(ii) Sensitivity analysis

As at December 31, 2023 and August 31, 2024, it is estimated that a general increase/decrease of 100 basis points in foreign exchange rates, with all other variables held constant, would have decrease/increase the Group's profits after tax and retained profit of RMB4,132,000 and RMB5,357,000 respectively.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments which expose the Group to foreign currency risk at the end of each reporting period. The analysis is performed on the same basis during the Track Record Period.

(e) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3: Fair value measured using significant unobservable inputs

		Fair value measurements as at December 31, 2021, categorized into		
	Fair value at December 31, 2021	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVPL				
– wealth management products	19,500	–	19,500	–

		Fair value measurements as at December 31, 2022, categorized into		
	Fair value at December 31, 2022	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVPL				
– wealth management products	5,000	–	5,000	–

The Group has engaged an external valuer to perform valuations for the financial instruments issued to the investor. A valuation report with analysis of changes in fair value measurement is prepared by the external valuer at each reporting date and is reviewed and approved by the Group's management.

		Fair value measurements as at December 31, 2023, categorized into		
	Fair value at December 31, 2023	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at FVPL				
– derivative financial instruments	88,650	–	–	88,650

	Fair value at August 31, 2024	Fair value measurements as at August 31, 2024, categorized into Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial asset at FVPL				
– wealth management products	225,572	–	225,572	–
Financial liabilities at FVPL				
– derivative financial instruments	66,700	–	–	66,700

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

For wealth management products issued by banks that are measured at FVPL, the fair value is determined by the net asset value of the products published by the issuing banks on the balance sheet date.

Derivative financial instruments – Compensation right

The fair values of the compensation right are determined using the binomial tree model. As at December 31, 2023 and August 31, 2024, key assumptions used are set out below:

	As at December 31, 2023	As at August 31, 2024
	RMB'000	*RMB'000*
Risk-free interest rate	4.70%	4.60%
Volatility	29.32%	24.02%

As at December 31, 2023 and August 31, 2024, if all other variables are held constant, an(a) increase/decrease in the risk free interest rate by 1% would have (a)/an (decrease)/increase impact on the Group's profit after tax as below:

	As at December 31, 2023	As at August 31, 2024
	RMB'000	*RMB'000*
Risk-free interest rate increased by 1%	471	1,698
Risk-free interest rate decreased by 1%	(564)	(1,808)

As at December 31, 2023 and August 31, 2024, if all other variables are held constant, an(a) increase/decrease in the volatility by 1% would have (a)/an (decrease)/increase impact on the Group's profit after tax as below:

	As at December 31, 2023	As at August 31, 2024
	RMB'000	*RMB'000*
Volatility increased by 1%	40	(259)
Volatility decreased by 1%	(15)	297

28 COMMITMENTS

Capital commitments outstanding as at December 31, 2021, 2022 and 2023 and August 31, 2024 not provided for in the Historical Financial Information were as follows:

	As at December 31,			As at August 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	26,927	35,950	39,408	120,090

29 MATERIAL RELATED PARTY TRANSACTIONS

The Group entered into the following material related party transactions.

(a) Name and relationship with related parties

Name of related party	**Nature of relationship**
Wang Shugao	Controlling shareholders
Anhui Hongjingxuan	Entities controlled by Wang Shugao
Anhui Xiaocaiyuan Holding	Entities controlled by Wang Shugao

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of highest paid employees as disclosed in Note 9, is as follows:

	Years ended December 31,			Eight months ended August 31,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term employee benefits	4,085	6,371	6,847	3,730	3,400
Contributions to defined contribution retirement plan	119	125	147	123	142
	4,204	6,496	6,994	3,853	3,542

(c) Transactions with related parties

The Group entered into the following material related party transactions for the years ended December 31, 2021, 2022 and 2023 and eight months ended August 31, 2024:

	Years ended December 31,			Eight months ended August 31,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Non-trade related:					
Amounts borrowed from:					
Anhui Xiaocaiyuan Holding	12,200	28,312	–	–	–
Amounts repaid to:					
Anhui Xiaocaiyuan Holding	6,468	58,144	–	–	–

(d) Balance with related parties

	As at December 31,			As at August 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade related:				
Anhui Hongjingxuan	28,332	36,567	–	–
Anhui Xiaocaiyuan Holding	6,598	–	–	–
	34,930	36,567	–	–

	As at December 31,			As at August 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade related:				
Anhui Xiaocaiyuan Holding	49,832	–	–	–

Payables to the Anhui Hongjingxuan mainly related to the purchase of inventories and certain property, plant and equipment paid on behalf by Anhui Hongjingxuan.

Non-trade related payables to the Anhui Xiaocaiyuan Holding mainly represented the consideration payable of RMB20,000,000 in relation to the acquisition of the entire equity interests of Xiaocaiyuan Catering and other payables of RMB29,832,000. Non-trade related payables are unsecured, interest-free and have no fixed-term of repayment. These balances were fully settled in 2022.

(e) Bank loans guaranteed by related parties

The detailed information of bank loans guaranteed by related parties is set out in Note 18.

30 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at the date of this report, the Directors consider the immediate parent of the Group and ultimate controlling party of the Group to be Mr. Wang Shugao.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIODS

Up to the date of issue of this report, the IASB has issued a number of new or amended standards, which are not yet effective for the year beginning January 1, 2024 and which have not been adopted in preparing the Historical Financial Information. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, Lack of exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18, Presentation and Disclosure in Financial Statements Basis for conclusions on IFRS 18 Illustrative examples on IFRS 18	1 January 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information of the Group.

32 SUBSEQUENT EVENTS

Share Subdivision Upon Listing

As approved by the Company's shareholders' general meeting held on December 2, 2024, immediately upon listing, the ordinary shares of the Company will be split on a one-for-one hundred thousand basis, and the nominal value of the shares will be changed from USD1.00 each to USD0.00001 each.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to August 31, 2024.

The following information does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for illustrative information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as if the Global Offering had been completed on August 31, 2024. The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at August 31, 2024 or any future date.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of August 31, 2024	Estimated net proceeds from the Global Offering	Estimated impact to net tangible assets upon redesignation of redemption liability	Estimated impact to net tangible assets upon derecognition of derivative financial instruments	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2, 6)*	*(Note 3)*	*(Note 4)*		*(Note 5)*	*(Note 6)*
Based on an Offer Price of HK$8.50 per Share	809,848	744,494	535,685	66,700	2,156,727	1.83	1.98

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as at August 31, 2024 have been calculated based on the consolidated total equity attributable to equity shareholders of the Company as at August 31, 2024 of RMB812,719,000 less intangible assets of RMB2,871,000, extracted from the Accountants' Report set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on 101,180,800 Shares to be issued pursuant to the Global Offering and the Offer Price of HK$8.50 per Share, after deduction of the estimated underwriting fees and other estimated related expenses paid or payable by the Group (excluding approximately RMB20,452,000 listing expenses which has been charged to profit or loss up to August 31, 2024) and does not take into account of any shares which may be issued upon the exercise of the Over-allotment Option.

(3) The estimated impact is calculated based on the redemption liability of RMB535,685,000 arising from the redeemable convertible preferred shares as of August 31, 2024 (as set out in Note 25 to the Historical Financial Information included in the Accountants' Report in Appendix I to this prospectus). Upon the Listing and completion of the Global Offering, the redemption liability will be automatically converted into ordinary shares of the Company and will be re-designated from liabilities to equity.

(4) The estimated impact is calculated based on the derivative financial instruments of RMB66,700,000 arising from the compensation right as of August 31, 2024 (as set out in Note 25 to the Historical Financial Information included in the Accountants' Report in Appendix I to this prospectus). The compensation right is automatically executed upon Listing, therefore, had the Global Offering been completed on August 31, 2024, based on the indicative offer Prices, no compensation would be provided to the Pre-IPO Investor (as defined in the Accountants' Report set out in Appendix I to this Prospectus). The balance of the derivative financial instruments will be derecognized into consolidated statement of profit or loss.

(5) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share is arrived at after adjustments as described above and on the basis that 1,176,518,800 Shares were in issue immediately following completion of the Share Subdivision and Global Offering, assuming that the Share Subdivision and Global Offering had been completed on August 31, 2024 without taking into account of the Shares which may be issued upon exercise of the Over-allotment Option.

(6) For illustrative purpose, the estimated net proceeds from the Global Offering is converted from Hong Kong dollar into Renminbi and the unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share is converted from Renminbi to Hong Kong dollar at the exchange rate of HK$1.00 to RMB0.9235, the exchange rate set by the People's Bank of China ("PBOC") prevailing on December 5, 2024. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at the rate or at any other rates or at all.

(7) No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company to reflect any trading results or other transactions of the Group subsequent to August 31, 2024.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

Independent Reporting Accountants' Assurance Report on the Compilation of Pro Forma Financial Information

To the Directors of Xiaocaiyuan International Holding Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Xiaocaiyuan International Holding Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at August 31, 2024 and related notes as set out in Part A of Appendix II to the prospectus dated December 12, 2024 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at August 31, 2024 as if the Global Offering had taken place at August 31, 2024. As part of this process, information about the Group's financial position as at August 31, 2024 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at August 31, 2024 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
December 12, 2024

Set out below is a summary of certain provisions of the constitution of the Company and certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on October 19, 2021 under the Cayman Companies Act. The Company's constitutional documents consist of its Memorandum and Articles of Association.

1. MEMORANDUM OF ASSOCIATION

The Memorandum provides, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted (and therefore include acting as an investment holding company) and that the Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Act or any other law of the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on December 2, 2024 and will become effective on the Listing Date. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of Shares

The share capital of the Company consists of a single class of ordinary shares.

(b) Variation of Rights of Existing Shares or Classes of Shares

If at any time the share capital of the Company is divided into different classes of Shares, all or any of the rights attached to any class of Shares for the time being issued (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the Shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate meeting, except that the necessary quorum shall be two persons together holding (or, in the case of a member being a corporation, by its duly authorised representative), or representing by proxy, at least one-third of the issued Shares of that class. Every holder of Shares of the class shall be entitled on a poll to one vote for every such Share held by him, and any holder of Shares of the class present in person or by proxy may demand a poll.

For the purposes of a separate class meeting, the Board may treat two or more classes of Shares as forming one class of Shares if the Board considers that such classes of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of Shares.

Any rights conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

(c) Alteration of Capital

The Company may by ordinary resolution:

(i) increase its share capital by the creation of new Shares of such amount and with such rights, priorities and privileges attached to such Shares as it may determine;

(ii) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares. On any consolidation of fully paid Shares and division into Shares of a larger amount, the Board may settle any difficulty which may arise as it thinks expedient and, in particular (but without prejudice to the generality of the foregoing), may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into a consolidated Share, and if it shall happen that any person shall become entitled to fractions of a consolidated Share or Shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the Shares so sold to the purchaser(s) thereof and the validity of such transfer shall not be questioned, and the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated Share or Shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum; and

(iv) cancel any Shares which, as at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so canceled.

The Company may by special resolution reduce its share capital or any undistributable reserve, subject to the provisions of the Companies Act.

(d) Transfer of Shares

Subject to the terms of the Articles, any member of the Company may transfer all or any of his Shares by an instrument of transfer. If the Shares in question were issued in conjunction with rights, options, warrants or units issued pursuant to the Articles on terms that one cannot be transferred without the other, the Board shall refuse to register the transfer of any such Share without evidence satisfactory to it of the like transfer of such right, option, warrant or unit.

Subject to the Articles and the requirements of the Stock Exchange, all transfers of Shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a recognised clearing house or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of the Company in respect of that Share.

Subject to the provisions of the Cayman Companies Act, if the Board considers it necessary or appropriate, the Company may establish and maintain a branch register or registers of members at such location or locations within or outside the Cayman Islands as the Board thinks fit. The Board may, in its absolute discretion, at any time transfer any Share on the principal register to any branch register or any Share on any branch register to the principal register or any other branch register.

The Board may, in its absolute discretion, decline to register a transfer of any Share (not being a fully paid Share) to a person of whom it does not approve or on which the Company has a lien, or a transfer of any Share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any Share to more than four joint holders. It may also decline to recognise any instrument of transfer if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of Share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules and the relevant section of the Companies Ordinance, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid Shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Redemption of Shares

Subject to the provisions of the Cayman Companies Act, the Listing Rules and any rights conferred on the holders of any Shares or attaching to any class of Shares, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the members or the Company. The redemption of such Shares shall be effected in such manner and upon such other terms as the Company may by special resolution determine before the issue of such Shares.

(f) Power of the Company to Purchase its own Shares

Subject to the Cayman Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to purchase or otherwise acquire all or any of its own Shares (which includes redeemable Shares), provided that the manner and terms of purchase have first been authorised by ordinary resolution and that any such purchase shall only be made in accordance with the relevant code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong from time to time in force.

(g) Power of any Subsidiary of the Company to own Shares in the Company

There are no provisions in the Articles relating to the ownership of Shares in the Company by a subsidiary.

(h) Calls on Shares and Forfeiture of Shares

Subject to the terms of allotment and issue of any Shares (if any), the Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the Shares held by them (whether in respect of par value or share premium). A member who is the subject of the call shall (subject to receiving at least 14 clear days' notice specifying the time or times for payment) pay to the Company at the time or times so specified the amount called on his Shares. A call may be made payable either in one sum or by instalments, and shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed. The joint holders of a Share shall be severally as well as jointly liable for the payment of all calls and instalments due in respect of such Share.

If a call remains unpaid after it has become due and payable, the member from whom the sum is due shall pay interest on the unpaid amount at such rate as the Board shall determine (together with any expenses incurred by the Company as a result of such non-payment) from the day it became due and payable until it is paid, but the Board may waive payment of such interest or expenses in whole or in part.

If a member fails to pay any call or instalment of a call after it has become due and payable, the Board may, for so long as any part of the call or instalment remains unpaid, give to such member not less than 14 clear days' notice requiring payment of the unpaid amount together with any interest which may have accrued and which may still accrue up to the date of payment (together with any expenses incurred by the Company as a result of such non-payment). The notice shall specify a further day on or before which the payment required by the notice is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the Shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any Share in respect of which the notice was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Board. Such forfeiture shall include all dividends, other distributions and other monies payable in respect of the forfeited Share and not paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares, shall surrender to the Company for cancellation the certificate(s) for the Shares forfeited and shall remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the Shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of payment as the Board may determine and any expenses incurred by the Company as a result of such non-payment.

2.2 Directors

(a) Appointment, Retirement and Removal

The Company may by ordinary resolution of the members elect any person to be a Director. The Board may also appoint any person to be a Director at any time, either to fill a casual vacancy or as an additional Director subject to any maximum number fixed by the members in general meeting or the Articles. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The members may by ordinary resolution remove any Director (including a managing or executive Director) before the expiration of his term of office, notwithstanding anything in the Articles or any agreement between the Company and such Director, and may by ordinary resolution elect another person in his stead. Nothing shall be taken as depriving a Director so removed of any compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns from his office as Director;

(ii) the Director is absent, without being represented by proxy or an alternate Director appointed by him, for a continuous period of 12 months without special leave of absence from the Board, and the Board passes a resolution that he has by reason of such absence vacated his office;

(iii) the Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(iv) the Director dies or an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(v) the Director is prohibited from being or ceases to be a Director by operation of law;

(vi) the Director has been required by the Stock Exchange to cease to be a Director or no longer qualifies to be a Director pursuant to the Listing Rules; or

(vii) the Director is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. If the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire at each annual general meeting shall be those who have been in office longest since their last re-election or appointment and, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

(b) Power to Allot and Issue Shares and other Securities

Subject to the provisions of the Cayman Companies Act, the Memorandum and Articles and, where applicable, the Listing Rules, and without prejudice to any rights or restrictions for the time being attached to any Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise, to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no Shares shall be issued at a discount to their par value.

The Company may issue rights, options, warrants or convertible securities or securities of a similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in the Company on such terms as the Board may from time to time determine.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to Dispose of the Assets of the Company or any of its Subsidiaries

Subject to the provisions of the Companies Act, the Memorandum and Articles and any directions given by special resolution of the Company, the Board may exercise all powers and do all acts and things which may be exercised or done by the Company to dispose of the assets of the Company or any of its subsidiaries. No alteration to the Memorandum or Articles and no direction given by special resolution of the Company shall invalidate any prior act of the Board which would have been valid if such alteration or direction had not been made or given.

(d) Borrowing Powers

The Board may exercise all the powers of the Company to raise or borrow money, secure the payment of any sum or sums of money for the purposes of the Company, mortgage or charge all or any part of its undertaking, property and uncalled capital of the Company, and, subject to the Cayman Companies Act, issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

A Director shall be entitled to receive such sums as shall from time to time be determined by the Board or the Company in general meetings. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in connection with attendance at meetings of the Board or committees of the Board, or general meetings of the Company or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company and the discharge of their duties as Directors, and/or to receive fixed allowances in respect thereof as may be determined by the Board.

The Board or the Company in general meetings may also approve additional remuneration to any Director for any services which in the opinion of the Board or the Company in general meetings go beyond such Director's ordinary routine work as a Director.

(f) Compensation or Payments for Loss of Office

There are no provisions in the Articles relating to compensation or payment for loss of office.

(g) Loans to Directors

There are no provisions in the Articles relating to making of loans to Directors.

(h) Disclosure of Interest in Contracts with the Company or any of its Subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company.

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, nor shall any such contract or any other contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director is in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding such office or of the fiduciary relationship established by it, provided that the nature of interest of any Director or alternate Director in any such contract or transaction shall be disclosed by such Director or alternate Director at or prior to the consideration and vote thereon.

A Director shall not vote on (or be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or other proposal in which he or any of his close associate(s) has a material interest, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum for such resolution. This prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of Shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit or (B) any pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of Shares, debentures or other securities of the Company by virtue only of his/their interest in those Shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Unless otherwise determined, two Directors shall be a quorum. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the Constitutional Documents and the Company's Name

The Memorandum and Articles may only be altered or amended, and the name of the Company may only be changed, by special resolution of the Company.

2.5 Meetings of Members

(a) Special and Ordinary resolutions

A special resolution must be passed by a majority of not less than three-fourths of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of any members which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. A special resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

An ordinary resolution, in contrast, is a resolution passed by a simple majority of the voting rights held by such members as, being entitled to do so, vote in person or by proxy or, in the case of any member which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting. An ordinary resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

The provisions of special resolutions and ordinary resolutions shall apply *mutatis mutandis* to any resolutions passed by the holders of any class of shares.

(b) Voting Rights and Right to Demand a Poll

Subject to any rights, restrictions or privileges as to voting for the time being attached to any class or classes of Shares, at any general meeting: (a) on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every Share and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote.

In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of the relevant Shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation or other non-natural person could exercise as if it were a natural person member of the Company.

If a recognised clearing house or its nominee(s) is a member of the Company, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company, provided that if more than one person is so authorised, the authorisation shall specify the number and class of Shares in respect of which each such person is so authorised. A person so authorised shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house or its nominee(s) as if such person were a natural person member of the Company, including the right to speak and vote individually on a show of hands or on a poll.

All members of the Company (including a member which is a recognised clearing house (or its nominee(s))) shall have the right to (i) speak at a general meeting and (ii) and vote at a general meeting except where a member is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual General Meetings and Extraordinary General Meetings

The Company must hold a general meeting as its annual general meeting in each financial year. Such meeting shall be specified as such in the notices calling it, and must be held within six months after the end of the Company's financial year. A meeting of the members or any class thereof may be held by telephone, tele-conferencing or other electronic means, provided that all participants are able to communicate contemporaneously with one another, and participation in a meeting in such manner shall constitute presence at such meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. In addition, one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per Share basis) in the share capital of the Company may make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition, which must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists, shall be deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office of the Company. If the Board does not within 21 days from the date of deposit of such requisition duly proceed to convene a general meeting to be held within the following 21 days, the requisitionists or any of them representing more than one-half of the total voting rights of all the requisitionists may themselves convene a general meeting, but any such meeting so convened shall be held no later than the day falling three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by the Board, and all reasonable expenses incurred by the requisitionists shall be reimbursed to the requisitionists by the Company.

(d) Notices of Meetings and Business to be Conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the date, time, place and agenda of the meeting, the particulars of the resolution(s) to be considered at the meeting and the general nature of the business to be considered at the meeting.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address, (to the extent permitted by the Listing Rules and all applicable laws and regulations) by electronic means or (in the case of a notice) by advertisement published in the manner prescribed under the Listing Rules, or by sending or otherwise making it available to such member through such other means to the extent permitted by and in accordance with the Listing Rules and other applicable laws, rules and regulations.

Notwithstanding that a meeting of the Company is called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights held by such members.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Board in its absolute discretion consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Board also has the power to provide in every notice calling a general meeting that in the event of a gale warning, a black rainstorm warning or extreme conditions is/are in force at any time on the day of the general meeting (unless such warning is canceled at least a minimum period of time prior to the general meeting as the Board may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(A) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning, a black rainstorm warning or extreme conditions being in force on the day of the general meeting;

(B) the Board shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting. Such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(C) only the business set out in the notice of the original meeting shall be considered at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be considered at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be considered at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles.

(e) Quorum for Meetings and Separate Class Meetings

No business shall be considered at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to approve the variation of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued Shares of that class.

(f) Proxies

Any member of the Company (including a member which is a recognised clearing house (or its nominee(s))) entitled to attend and vote at a meeting of the Company is entitled to appoint another person (being a natural person) as his proxy to attend and vote in his place. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is a natural person and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were a natural person member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing and executed under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation or other non-natural person, either under its seal or under the hand of a duly authorised representative.

The Board shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and time (being no later than the time appointed for the commencement of the meeting or adjourned meeting to which the instrument of proxy relates) at which such instrument shall be deposited.

Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form that complies with the Listing Rules as the Board may from time to time approve. Any form issued to a member for appointing a proxy to attend and vote at a general meeting at which any business is to be considered shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise the discretion of the proxy in respect of) each resolution dealing with any such business.

2.6 Accounts and Audit

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions in accordance with the Cayman Companies Act.

The books of accounts of the Company shall be kept at the principal place of business of the Company in Hong Kong or, subject to the provisions of the Companies Act, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director. No member (not being a Director) or other person shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Act or ordered by a court of competent jurisdiction or as authorised by the Board or the Company in general meeting.

The Board shall cause to be prepared and laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law and the Listing Rules.

The members shall at each annual general meeting appoint auditor(s) to hold office by ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members at the annual general meeting at which they are appointed by ordinary resolution of the members or in any other manner as specified in such ordinary resolution. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in their place for the remainder of the term.

The accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other Methods of Distribution

Subject to the Cayman Companies Act and the Articles, the Company may by ordinary resolution resolve to declare dividends and other distributions on Shares in issue in any currency and authorise payment of the dividends or distributions out of the funds of the Company lawfully available therefor, provided that (i) no dividends shall exceed the amount recommended by the Board, and (ii) no dividends or distributions shall be paid except out of the realised or unrealised profits of the Company, out of the share premium account or as otherwise permitted by law.

The Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. In addition, the Board may from time to time declare and pay special dividends on Shares of such amounts and on such dates as it thinks fit.

Except as otherwise provided by the rights attached to any Shares, all dividends and other distributions shall be paid according to the amounts paid up on the Shares that a member holds during the period in respect of which the dividends and distributions are paid. No amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share.

The Board may deduct from any dividends or other distributions payable to any member of the Company all sums of money (if any) then payable by him to the Company on account of calls or otherwise. The Board may retain any dividends or distributions payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividends or other distributions payable by the Company on or in respect of any Share shall carry interest against the Company.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may further resolve:

(a) that such dividend be satisfied in whole or in part in the form of an allotment of Shares credited as fully paid on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(b) that the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee.

Upon the recommendation of the Board, the Company may by ordinary resolution resolve in respect of any one particular dividend of the Company determine that notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividends, distributions or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder of such Shares or by cheque or warrant sent by post to the registered address of such holder, or in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company, or to such person and to such address as the holder or joint holders may in writing direct. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other monies payable in respect of the Shares held by them as joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied in whole or in part by the distribution of specific assets of any kind.

Any dividends or other distributions which remain unclaimed for six years from the date on which such dividends or distributions become payable shall be forfeited and shall revert to the Company.

2.8 Inspection of Corporate Records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

2.9 Rights of Minorities in relation to Fraud or Oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 below.

2.10 Procedures on Liquidation

Subject to the Cayman Companies Act, the members of the Company may by special resolution resolve to wind up the Company voluntarily or by the court.

Subject to any rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares:

(a) if the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed *pari passu* among such members in proportion to the amount paid up on the Shares held by them at the commencement of the winding up; and

(b) if the assets available for distribution among the members of the Company are insufficient to repay the whole of the Company's paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or ought to be paid up, on the Shares held by them at the commencement of the winding up.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the approval of a special resolution and any other approval required by the Cayman Companies Act, divide among the members in kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like approval, vest any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was incorporated in the Cayman Islands as an exempted company on October 19, 2021 subject to the Cayman Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company Operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share Capital

Under the Cayman Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in section 37 of the Cayman Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial Assistance to Purchase Shares of a Company or its Holding Company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of Shares and Warrants by a Company and its Subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Cayman Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Cayman Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and Distributions

Subject to a solvency test, as prescribed in the Cayman Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of Minorities and Shareholders' Suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of Assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and Auditing Requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange Control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to Directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of Corporate Records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of Members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of Directors and Officers

Pursuant to the Cayman Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Mergers and Consolidations

The Cayman Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting members have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

3.18 Mergers and Consolidations involving a Foreign Company

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; and (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidated is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

3.19 Reconstructions and Amalgamations

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, it can be expected that the court would approve the transaction if it is satisfied that (i) the company is not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with, (ii) the members have been fairly represented at the meeting in question, (iii) the transaction is such as a businessman would reasonable approve, and (iv) the transaction is not one that would more properly be sanctioned under some other provisions of the Cayman Companies Act or that would amount to a "fraud on the minority".

If the transaction is approved, no dissenting member would have any rights comparable to the appraisal rights (namely the right to receive payment in cash for the judicially determined value of his shares), which may be available to dissenting members of corporations in other jurisdictions.

3.20 Takeovers

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.21 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.22 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2024 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. If a company is considered to be a "relevant entity" and is conducting one or more of the nine "relevant activities", then such company will be required to comply with the economic substance requirements in relation to the relevant activity from July 1, 2019. All companies whether a relevant entity or not is required to file an annual report with the Registrar of Companies of the Cayman Islands confirming whether or not it is carrying on any relevant activities.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands laws, has sent to the Company a letter of advice summarizing the aspects of the Companies Act set out in section 3 above. This letter, together with copies of the Cayman Companies Act, the Memorandum and the Articles, is on display on the websites of the Stock Exchange and the Company as referred to in the paragraph headed "Documents Available on Display" in Appendix V. Any person wishing to have a detailed summary of the Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

The Company was incorporated in the Cayman Islands on October 19, 2021 as an exempted company with limited liability. Our registered office address is at 4th Floor, Harbor Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III to this prospectus.

Our principal place of business in Hong Kong is at Unit 15-60, Level 15, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 11, 2023 with the Registrar of Companies in Hong Kong. Ms. Au Wing Han has been appointed as the authorized representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

As of the date of this prospectus, the Company's head office was located at No. 803, Building 2-B4 and B5, Big Dipper City, Tongguan District, Tongling, Anhui, PRC.

2. Changes in Share Capital

On October 19, 2021, the Company was incorporated in the Cayman Islands as an exempted company, with an authorized share capital of US$50,000 divided into 50,000 Ordinary Shares of a par value of US$1.00 each.

On February 10, 2023, the Company redeemed 40,000 Ordinary Shares.

On December 1, 2023, our Shareholders resolved, among other things, that 645.85 authorized but unissued Ordinary Shares in the authorized share capital of the Company be re-designated and re-classified as First Round Preferred Shares of a par value of US$1 each, and 107.53 authorized but unissued Ordinary Shares in the authorized share capital of the Company be re-designated and re-classified as Second Round Preferred Shares of a par value of US$1 each. Upon completion of such redesignation, the authorized share capital of the Company would be US$50,000 divided into 50,000 Shares, consisting of 49,246.62 Ordinary Shares, 645.85 First Round Preferred Shares and 107.53 Second Round Preferred Shares of par value of US$1 each.

On December 1, 2023, the Company allotted and issued 645.85 First Round Preferred Shares and 107.53 Second Round Preferred Shares to Harvest Delicacy pursuant to the First Round Preferred Shares Agreements and Second Round Preferred Shares Agreements. For details of the Pre-IPO Investments, see the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments" in this prospectus.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in note 1 to the Accountants' Report as set out in Appendix I to this prospectus.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this prospectus:

Nanjing Xiaocaiyuan

On January 13, 2022, the registered capital of Nanjing Xiaocaiyuan was increased from RMB1 million to RMB60 million.

Xiaocaiyuan Supply Chain

On August 1, 2022, the registered capital of Xiaocaiyuan Supply Chain was increased from RMB20 million to RMB60 million.

Anhui Fengyuan

On October 31, 2022, Anhui Fengyuan was established in Tongling, Anhui, the PRC, with the registered capital of RMB50 million.

Anhui Shangyuan

On October 31, 2022, Anhui Shangyuan was established in Tongling, Anhui, the PRC, with the registered capital of RMB5 million.

Shanghai Jiangxiaowan

On June 26, 2023, Shanghai Jiangxiaowan was established in Shanghai, the PRC, with the registered capital of RMB5 million.

Zhengzhou Caicaiyuanyuan

On July 10, 2023, Zhengzhou Caicaiyuanyuan was established in Zhengzhou, Henan, the PRC, with the registered capital of RMB5 million.

Nanjing Caishou

On August 10, 2023, Nanjing Caishou was established in Nanjing, Jiangsu, the PRC, with the registered capital of RMB5 million.

Jinan Caicaiyuanyuan

On August 10, 2023, Jinan Caicaiyuanyuan was established in Jinan, Shandong, the PRC, with the registered capital of RMB5 million.

Nanchang Xiaocaiyuan

On August 14, 2023, Nanchang Xiaocaiyuan was established in Nanchang, Jiangxi, the PRC, with the registered capital of RMB5 million.

Ma'anshan Xiaocaiyuan

On November 6, 2023, Ma'anshan Xiaocaiyuan was established in Ma'anshan, Anhui, the PRC, with the registered capital of RMB10 million.

Ma'anshan Supply Chain

On November 7, 2023, Ma'anshan Supply Chain was established in Ma'anshan, Anhui, the PRC, with the registered capital of RMB60 million.

Save as disclosed above, there was no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Resolutions of the Shareholders of Our Company dated December 2, 2024

On December 2, 2024, resolutions of the Company were passed by the Shareholders that, among other things, conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in "Structure of the Global Offering – Conditions of the Global Offering" and pursuant to the terms set out therein:

(a) the Company approved and adopted the Memorandum and Articles of Association with effect conditional and immediately upon the Listing;

(b) the Global Offering and the grant of the Over-allotment Option were approved and any one Director or one joint company secretary of our Company from time to time or (if applicable), any of his/her/their duly authorized attorney (the "**Authorized Signatory**") were authorized to allot, issue and transfer the Shares pursuant to the Global Offering and the exercise of the Over-allotment Option;

(c) the Share Subdivision was approved;

(d) the Listing was approved and any Authorized Signatory would be authorized to implement the Listing;

(e) subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate would be granted to the Directors to approve, confirm and ratify that the Company allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period (as defined below), provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares; and (iii) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of:

(A) 20% of the total number of Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

(B) the aggregate number of Shares repurchased by the Company (if any) under the general mandate to repurchase Shares referred to in paragraph below.

Such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Relevant Period**"); and

(f) a general unconditional mandate would be granted to the Directors to exercise all the powers of the Company to repurchase the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the Global Offering but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option of the Company in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on December 2, 2024, the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued under the Over-allotment Option), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Memorandum and Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman Islands law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically canceled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as canceled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Companies Act.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his/her securities to the company.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of Repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles of Association and subject to Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 1,176,518,800 Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), could accordingly result in up to approximately 117,651,880 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company.

No core connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) the investment agreement dated June 28, 2023 entered into among the Company, XCY 168 Limited, Xiaocaiyuan HK Holding Limited, Anhui Xiaocaiyuan Catering Holdings Co., Ltd. (安徽小菜園餐飲控股有限公司), Anhui Xiaocaiyuan Catering Management Co., Ltd. (安徽小菜園餐飲管理有限責任公司), XCY Yongqing Limited, XCY Xuyuan Limited, XCY Zhiyuan Limited, XCY Huiming Limited, XCY Weiyuan Limited, XCY Liyuan Limited, XCY Future Limited, Mr. Wang Shugao (汪書高), Mr. Li Daoqing (李道慶), Mr. Tian Chunyong (田春永), Mr. Zhou Bin (周斌), Ms. Wang Weifang (汪維芳), Mr. Tao Xu'an (陶旭安), Mr. Ye Hongli (葉紅利), Mr. Fang Zhiguo (方志國) and Mr. Chen Haiyan (陳海燕), Harvest Delicacy Infinite Corporation and Jiahua Chuangjia (Hainan) Investment Partnership (Limited Partnership) (加華創佳(海南)投資合夥企業(有限合夥)), pursuant to which Harvest Delicacy Infinite Corporation agreed to subscribe for the Second Series Convertible Bonds to be issued by the Company at a consideration of RMB250 million in equivalent US dollars;

(b) the amended shareholders' agreement dated June 28, 2023 entered into among the Company, XCY 168 Limited, Xiaocaiyuan HK Holding Limited, Anhui Xiaocaiyuan Catering Holdings Co., Ltd. (安徽小菜園餐飲控股有限公司), Anhui Xiaocaiyuan Catering Management Co., Ltd. (安徽小菜園餐飲管理有限責任公司), XCY Yongqing Limited, XCY Xuyuan Limited, XCY Zhiyuan Limited, XCY Huiming Limited, XCY Weiyuan Limited, XCY Liyuan Limited, XCY Future Limited, Mr. Wang Shugao (汪書高), Mr. Li Daoqing (李道慶), Mr. Tian Chunyong (田春永), Mr. Zhou Bin (周斌), Ms. Wang Weifang (汪維芳), Mr. Tao Xu'an (陶旭安), Mr. Ye Hongli (葉紅利), Mr. Fang Zhiguo (方志國) and Mr. Chen Haiyan (陳海燕) and Harvest Delicacy Infinite Corporation regarding the shareholders' rights in the Company;

(c) the first round investment agreement dated December 1, 2023 entered into among the Company, XCY 168 Limited, Xiaocaiyuan HK Holding Limited, Anhui Xiaocaiyuan Catering Holdings Co., Ltd. (安徽小菜園餐飲控股有限公司), Anhui Xiaocaiyuan Catering Management Co., Ltd. (安徽小菜園餐飲管理有限責任公司), XCY Yongqing Limited, XCY Xuyuan Limited, XCY Zhiyuan Limited, XCY Huiming Limited, XCY Weiyuan Limited, XCY Liyuan Limited, XCY Future Limited, Mr. Wang Shugao (汪書高), Mr. Li Daoqing (李道慶), Mr. Tian Chunyong (田春永), Mr. Zhou Bin (周斌), Ms. Wang Weifang (汪維芳), Mr. Tao Xu'an (陶旭安), Mr. Ye Hongli (葉紅利), Mr. Fang Zhiguo (方志國) and Mr. Chen Haiyan (陳海燕), Jiayu Jiahua (Tianjin) Equity Investment Fund Partnership (Limited Partnership) (嘉裕加華(天津)股權投資基金合夥企業(有限合夥)), Jiahua Chuangjia (Hainan) Investment Partnership (Limited Partnership) (加華創佳(海南)投資合夥企業(有限合夥)) and Harvest Delicacy Infinite Corporation, pursuant to which Harvest Delicacy Infinite Corporation agreed to subscribe for the First Round Preferred Shares at a consideration of RMB400 million in equivalent US dollars, among which, (i) the amount of RMB150 million in equivalent US dollars settled under the First Series Convertible Bonds would be used as the consideration to subscribe for 242.19 First Round Preferred Shares; and (ii) the amount of RMB250 million in equivalent US dollars under the Second Series Convertible Bonds would be used as the consideration to subscribe for 403.66 First Round Preferred Shares;

(d) the second amended shareholders' agreement dated December 1, 2023 entered into among the Company, XCY 168 Limited, Xiaocaiyuan HK Holding Limited, Anhui Xiaocaiyuan Catering Holdings Co., Ltd. (安徽小菜園餐飲控股有限公司), Anhui Xiaocaiyuan Catering Management Co., Ltd. (安徽小菜園餐飲管理有限責任公司), XCY Yongqing Limited, XCY Xuyuan Limited, XCY Zhiyuan Limited, XCY Huiming Limited, XCY Weiyuan Limited, XCY Liyuan Limited, XCY Future Limited, Mr. Wang Shugao (汪書高), Mr. Li Daoqing (李道慶), Mr. Tian Chunyong (田春永), Mr. Zhou Bin (周斌), Ms. Wang Weifang (汪維芳), Mr. Tao Xu'an (陶旭安), Mr. Ye Hongli (葉紅利), Mr. Fang Zhiguo (方志國) and Mr. Chen Haiyan (陳海燕), Jiayu Jiahua (Tianjin) Equity Investment Fund Partnership (Limited Partnership) (嘉裕加華(天津)股權投資基金合夥企業(有限合夥)), Jiahua Chuangjia (Hainan) Investment Partnership (Limited Partnership) (加華創佳(海南)投資合夥企業(有限合夥)) and Harvest Delicacy Infinite Corporation regarding the shareholders' rights in the Company;

(e) the second round investment agreement dated December 1, 2023 entered into among the Company, XCY 168 Limited, Xiaocaiyuan HK Holding Limited, Anhui Xiaocaiyuan Catering Holdings Co., Ltd. (安徽小菜園餐飲控股有限公司), Anhui Xiaocaiyuan Catering Management Co., Ltd. (安徽小菜園餐飲管理有限責任公司), XCY Yongqing Limited, XCY Xuyuan Limited, XCY Zhiyuan Limited, XCY Huiming Limited, XCY Weiyuan Limited, XCY Liyuan Limited, XCY Future Limited, Mr. Wang Shugao (汪書高), Mr. Li Daoqing (李道慶), Mr. Tian Chunyong (田春永), Mr. Zhou Bin (周斌), Ms. Wang Weifang (汪維芳), Mr. Tao Xu'an (陶旭安), Mr. Ye Hongli (葉紅利), Mr. Fang Zhiguo (方志國) and Mr. Chen Haiyan (陳海燕), Jiahua Chuangyi (Hainan) Investment Partnership (Limited Partnership) (加華創屹(海南)投資合夥企業(有限合夥)) and Harvest Delicacy Infinite Corporation, pursuant to which Harvest Delicacy Infinite Corporation agreed to subscribe for 107.53 Second Round Preferred Shares issued by the Company at a consideration of RMB100 million in equivalent US dollars;

(f) the third amended shareholders' agreement dated December 1, 2023 entered into among the Company, XCY 168 Limited, Xiaocaiyuan HK Holding Limited, Anhui Xiaocaiyuan Catering Holdings Co., Ltd. (安徽小菜園餐飲控股有限公司), Anhui Xiaocaiyuan Catering Management Co., Ltd. (安徽小菜園餐飲管理有限責任公司), XCY Yongqing Limited, XCY Xuyuan Limited, XCY Zhiyuan Limited, XCY Huiming Limited, XCY Weiyuan Limited, XCY Liyuan Limited, XCY Future Limited, Mr. Wang Shugao (汪書高), Mr. Li Daoqing (李道慶), Mr. Tian Chunyong (田春永), Mr. Zhou Bin (周斌), Ms. Wang Weifang (汪維芳), Mr. Tao Xu'an (陶旭安), Mr. Ye Hongli (葉紅利), Mr. Fang Zhiguo (方志國) and Mr. Chen Haiyan (陳海燕), Jiayu Jiahua (Tianjin) Equity Investment Fund Partnership (Limited Partnership) (嘉裕加華(天津)股權投資基金合夥企業(有限合夥)), Jiahua Chuangjia (Hainan) Investment Partnership (Limited Partnership) (加華創佳(海南)投資合夥企業(有限合夥)), Jiahua Chuangyi (Hainan) Investment Partnership (Limited Partnership) (加華創屹(海南)投資合夥企業(有限合夥)) and Harvest Delicacy Infinite Corporation regarding the shareholders' rights in the Company; and

(g) The Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(a) Trademarks

(i) Trademarks Registered in the PRC

As of the Latest Practicable Date, we had registered the following trademarks in the PRC which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date
1.	小菜园	Anhui Xiaocaiyuan Catering Management Co., Ltd.	43	28648778	December 13, 2028
2.	小菜园	Anhui Xiaocaiyuan Catering Management Co., Ltd.	32	28884140	January 13, 2029
3.	小菜园	Anhui Xiaocaiyuan Catering Management Co., Ltd.	40	28884477	April 20, 2029
4.	小菜园	Anhui Xiaocaiyuan Catering Management Co., Ltd.	42	28891607	March 13, 2029
5.	小菜园	Anhui Xiaocaiyuan Catering Management Co., Ltd.	33	28893527	December 27, 2028
6.	小菜园	Anhui Xiaocaiyuan Catering Management Co., Ltd.	43	29105786	January 13, 2029
7.	XIAO CAI YUAN	Anhui Xiaocaiyuan Catering Management Co., Ltd.	32	33237667	May 13, 2029
8.	XIAO CAI YUAN	Anhui Xiaocaiyuan Catering Management Co., Ltd.	30	33242503	May 13, 2029
9.	XIAO CAI YUAN	Anhui Xiaocaiyuan Catering Management Co., Ltd.	33	33244888	May 13, 2029
10.	小菜园	Anhui Xiaocaiyuan Catering Management Co., Ltd.	43	33245821	May 13, 2029
11.	XIAO CAI YUAN	Anhui Xiaocaiyuan Catering Management Co., Ltd.	39	33247219	May 13, 2029
12.	XIAO CAI YUAN	Anhui Xiaocaiyuan Catering Management Co., Ltd.	42	33247227	May 13, 2029
13.	XIAO CAI YUAN	Anhui Xiaocaiyuan Catering Management Co., Ltd.	29	33249396	May 13, 2029

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date
14.	XIAO CAI YUAN	Anhui Xiaocaiyuan Catering Management Co., Ltd.	40	33252350	May 13, 2029
15.	XIAO CAI YUAN	Anhui Xiaocaiyuan Catering Management Co., Ltd.	31	33257148	May 13, 2029
16.		Anhui Xiaocaiyuan Catering Management Co., Ltd.	30	33792211	July 13, 2029
17.		Anhui Xiaocaiyuan Catering Management Co., Ltd.	31	33793341	July 13, 2029
18.		Anhui Xiaocaiyuan Catering Management Co., Ltd.	40	33796858	July 13, 2029
19.		Anhui Xiaocaiyuan Catering Management Co., Ltd.	32	33801082	July 13, 2029
20.		Anhui Xiaocaiyuan Catering Management Co., Ltd.	33	33807556	July 13, 2029
21.		Anhui Xiaocaiyuan Catering Management Co., Ltd.	39	33808072	July 13, 2029
22.		Anhui Xiaocaiyuan Catering Management Co., Ltd.	29	33814852	July 13, 2029
23.		Anhui Xiaocaiyuan Catering Management Co., Ltd.	43	33815873	October 13, 2029
24.	小菜园复兴楼	Anhui Xiaocaiyuan Catering Management Co., Ltd.	29	50888788	June 27, 2031
25.	菜手	Anhui Xiaocaiyuan Catering Management Co., Ltd.	43	14671532	June 20, 2025
26.	小菜园	Anhui Xiaocaiyuan Catering Management Co., Ltd.	32	59706991	April 13, 2032
27.	小菜园	Anhui Xiaocaiyuan Catering Management Co., Ltd.	42	59684891	May 27, 2032
28.	小菜园	Anhui Xiaocaiyuan Catering Management Co., Ltd.	40	59648056	March 27, 2032
29.	小菜园	Anhui Xiaocaiyuan Catering Management Co., Ltd.	30	51979150	October 6, 2032

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date
30.	小菜园	Anhui Xiaocaiyuan Catering Management Co., Ltd.	31	51978766	March 6, 2032
31.	小菜园餐饮	Anhui Xiaocaiyuan Catering Management Co., Ltd.	43	53424973	September 13, 2031
32.	小菜园复兴楼	Anhui Xiaocaiyuan Catering Management Co., Ltd.	43	40906405	April 20, 2030
33.	小菜园新徽菜	Anhui Xiaocaiyuan Catering Management Co., Ltd.	43	53404568	December 20, 2031
34.	小菜园	Anhui Xiaocaiyuan Catering Management Co., Ltd.	43	48719718	July 6, 2031
35.	小菜园	Anhui Xiaocaiyuan Supply Chain Co., Ltd.	30	49241178	May 27, 2031

(ii) Trademark Application in Hong Kong

As of the Latest Practicable Date, we had made application for the following trademark in Hong Kong which we consider to be or may be material to our business:

No.	Trademark	Applicant	Class	Application Number	Application Date
1.	小菜园	Anhui Xiaocaiyuan Catering Management Co., Ltd.	43	306340419	September 5, 2023

(b) Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Registered Owner	Registered Number	Registered Date
1.	Xiaocaiyuan (小菜園)	Anhui Xiaocaiyuan Catering Management Co., Ltd.	Yu Zuo Deng Zi-2018-F-00288445	January 17,2018
2.	Smart Store Operation and Management System V1.0 (智慧門店運營管理系統V1.0)	Anhui Xiaocaiyuan Catering Management Co., Ltd.	2023SR0990097	August 30, 2023

No.	Copyright	Registered Owner	Registered Number	Registered Date
3.	Big-data based Operational Analyzing System V1.0 for Store Data (基於大數據分析的門店數據經營分析系統V1.0)	Anhui Xiaocaiyuan Catering Management Co., Ltd.	2023SR0988364	August 30, 2023
4.	Training and Learning System V1.0 for Employee's Food Safety Knowledge (各崗位員工食品安全知識制度培訓學習系統V1.0)	Anhui Xiaocaiyuan Catering Management Co., Ltd.	2023SR0644029	June 13, 2023
5.	Online Bidding System V1.0 For Daily Fresh Foods Procurement (每日新鮮食材採購在線詢比價管理系統V1.0)	Anhui Xiaocaiyuan Catering Management Co., Ltd.	2023SR0643126	June 13, 2023

(c) Patents

As of the Latest Practicable Date, we have registered the following patents which we consider to be or may be material to our business:

No.	Patent Name	Application No.	Application Type	Patent Owner	Place of Registration	Application Acceptance Date	Patent Grant Date
1.	A structure for sauce shaking (一種料汁抖動結構)	CN202320958830.X	Utility model	Anhui Xiaocaiyuan Catering Management Co., Ltd.	PRC	April 25, 2023	October 20, 2023
2.	A structure of wing type sauce box (一種翼型料汁盒結構)	CN202321498025.X	Utility model	Anhui Xiaocaiyuan Catering Management Co., Ltd.	PRC	June 13, 2023	November 7, 2023
3.	A device for automatic sauce adding (一種料汁自動添加裝置)	CN202320947595.6	Utility model	Anhui Xiaocaiyuan Catering Management Co., Ltd.	PRC	April 25, 2023	October 20, 2023
4.	An automatic saucing discharging device (料汁自動下料裝置)	CN202321069754.3	Utility model	Anhui Xiaocaiyuan Catering Management Co., Ltd.	PRC	May 6, 2023	October 20, 2023
5.	A sauce bottle for quantitative seasoning sauce (一種定量取用調料的料汁瓶)	CN202321210304.1	Utility model	Anhui Xiaocaiyuan Catering Management Co., Ltd.	PRC	May 18, 2023	November 7, 2023

(d) Domain names

As of the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date
1.	4001867777.com	Anhui Xiaocaiyuan Catering Management Co., Ltd.	November 11, 2030
2.	xiaocaiyuan.com	Anhui Xiaocaiyuan Catering Management Co., Ltd.	June 9, 2030
3.	小菜園.com	Anhui Xiaocaiyuan Catering Management Co., Ltd.	June 5, 2030

Save as aforesaid, as of the Latest Practicable Date, there were no other trademarks, copyrights, patents or domain names which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

(a) Executive Directors

Each of our executive Directors has entered into a service contract with us pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from the date of his/her appointment as a Director or since the Listing Date (whichever ends earlier). Either party has the right to give not less than three months' written notice to terminate the agreement. Details of the Company's remuneration policy is described in section headed "Directors and Senior Management – Compensation of Directors and Senior Management."

(b) Non-executive Directors and independent non-executive Directors

The non-executive Director has entered into an appointment letter with us pursuant to which he agreed to act as an non-executive Director for an initial term for his appointment letter shall commence from the date of his/her appointment as a Director or since the Listing Date (whichever ends earlier) and shall continue for three years (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

Each of the independent non-executive Directors has entered into an appointment letter with our Company on December 10, 2024. The initial term for their appointment letters shall be three years from December 11, 2024 (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

2. Remuneration of Directors

(a) Save as disclosed above, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) During the three years ended December 31, 2023 and the eight months ended August 31, 2024, the aggregate amount of remuneration incurred for our Directors were approximately RMB3.58 million, RMB5.57 million, RMB3.80 million and RMB1.89 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Appendix I to this prospectus.

(c) Under the arrangements currently in force, the aggregate amount of remuneration (including any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2024 is expected to be approximately RMB5 million.

(d) No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, former Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

(e) Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

3. Disclosure of interests

(a) Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering

Immediately following completion of the Global Offering (assuming the Over- allotment Option is not exercised), the interests or short positions of our Directors and chief executives in the Shares, underlying shares and debentures of our Company, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

(i) Interest in Shares

Name of Director or chief executive	Nature of interest	Number of Shares immediately following the Share Subdivision and before the Global Offering	Approximate percentage of interest in our Company immediately after Global Offering
Mr. Wang Shugao[(1)(2)]	Interest in controlled corporation	1,000,000,000	85.00%
Mr. Li Daoqing[(2)]	Interests held jointly with other person	429,714,000	36.52%

Name of Director or chief executive	Nature of interest	Number of Shares immediately following the Share Subdivision and before the Global Offering	Approximate percentage of interest in our Company immediately after Global Offering
Mr. Tian Chunyong[(2)]	Interests held jointly with other person	429,714,000	36.52%
Mr. Zhou Bin[(2)]	Interests held jointly with other person	429,714,000	36.52%
Ms. Wang Weifang[(2)]	Interests held jointly with other person	429,714,000	36.52%
Mr. Tao Xu'an[(2)]	Interests held jointly with other person	429,714,000	36.52%

Notes:

(1) Mr. Wang is the sole director of each of the BVI Entities and therefore entitled to control the voting power of each of the BVI Entities. In light of the above, Mr. Wang is deemed to be interested in 85.00% of the Shares of the Company immediately following the Global Offering, including the equity interest held by XCY Yongqing Limited, XCY Xuyuan Limited, XCY Zhiyuan Limited, XCY Huiming Limited, XCY Weiyuan Limited, XCY Liyuan Limited and XCY Future Limited.

(2) Mr. Wang, Mr. Li Daoqing, Mr. Tian Chunyong, Mr. Zhou Bin, Mr. Tao Xu'an, Mr. Ye Hongli, Mr. Fang Zhiguo, Ms. Wang Weifang and Mr. Chen Haiyan held 29.26%, 9.84%, 9.84%, 9.84%, 9.84%, 8.51%, 8.51%, 7.18% and 7.18% of the equity interests in XCY Yongqing Limited. Since the incorporation of our Company in 2021, Mr. Wang and the Other Individual Shareholders have been acting in concert by aligning their votes of XCY Yongqing Limited. On October 10, 2023, Mr. Wang entered into the Acting in Concert Agreement with the Other Individual Shareholders, pursuant to which they confirmed that they have been acting in concert since the incorporation of Company in 2021 and will continue to act in concert by aligning their votes of XCY Yongqing Limited, and that the Other Individual Shareholders will follow Mr. Wang's decisions in relation to the exercise of the voting rights by XCY Yongqing Limited. In light of above, each of the Other Individual Shareholders is deemed to be jointly interested in the Shares held by XCY Yongqing Limited in the Company under the SFO.

(ii) Interest in associated corporations

Save as set out above, the Directors are not aware of any of our Directors or chief executives who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), has any interests and/or short positions in the Shares, underlying shares and debentures of our Company's associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the Global Offering, have or be deemed or taken to have beneficial interests or short positions in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, please refer to the section headed "Substantial Shareholders" in this prospectus.

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such share capital.

4. Disclaimers Save as disclosed in this prospectus:

(a) none of the Directors or any experts named in the paragraph headed "D. Other Information – 4. Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(b) none of the Directors or any experts named in the paragraph headed "D. Other Information – 4. Consents of Experts" below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(c) none of our Directors or any of experts named in the paragraph headed "D. Other Information – 4. Consents of Experts" below has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(d) taking no account of any Shares which may be taken up under the Global Offering, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;

(e) none of the Directors or chief executives of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon; and

(f) so far as is known to our Directors, none of our Directors, their respective close associates or our Shareholders who are interested in more than 5% of the share capital of our Group has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

So far as our Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option). All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Joint Sponsors, pursuant to which our Company agreed to pay each Joint Sponsor a fee of US$800,000 to act as a sponsor to our Company in connection with the Listing.

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with inclusion of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

As of the Latest Practicable Date, none of the experts named below has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

Name	Qualification
Huatai Financial Holdings (Hong Kong) Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) of the regulated activities as defined under the SFO
UBS Securities Hong Kong Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities as defined under the SFO
KPMG	Certified Public Accountants and Registered Public Interest Entity Auditor
Tian Yuan Law Firm	Legal advisor as to PRC laws
Harney Westwood & Riegels	Legal advisor as to Cayman Islands laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

5. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

6. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail.

7. Compliance Advisor

Our Company has appointed Altus Capital Limited as its compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

8. Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

9. No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position of our Group since August 31, 2024 (being the date to which the latest consolidated financial statements of our Group were prepared).

10. Miscellaneous

(a) Save as disclosed in the section "Share Capital" in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries; and

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) There is:

(i) no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries; and

(ii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) Save as disclosed in the paragraph headed "B. Further Information about our Business – 1. Summary of Material Contracts" in this section, none of our Directors or experts (as named in this prospectus), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(d) We do not have any promoter for the purpose of the Listing Rules. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

(e) No equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.

(f) There has been no interruption in the business of our Group which may have or have had a significant effect on the financial position in the last 12 months.

(g) Save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures.

(h) There is no arrangement under which future dividends are waived or agreed to be waived.

FURTHER INFORMATION ABOUT OUR GROUP

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) the written consents referred to under the paragraph headed "Statutory and General Information – D. Other Information – 4. Consents of Experts" in Appendix IV to this prospectus; and

(b) copies of the material contracts referred to in the paragraph headed "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.xiaocaiyuan.com** during a period of 14 days from the date of this prospectus:

(a) the Memorandum of Association and the Articles of Association;

(b) the Accountant's Report of our Group from KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information of our Group from KPMG, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Group for the three years ended December 31, 2023 and the eight months ended August 31, 2024;

(e) the PRC legal opinion issued by Tian Yuan Law Firm, our legal advisor as to PRC law, in respect of certain aspects of our Group;

(f) the letter of advice prepared by Harney Westwood & Riegels, our legal advisor as to Cayman Islands law, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;

(g) the Cayman Companies Act;

(h) the report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a summary of which is set forth in the section headed "Industry Overview" in this prospectus;

(i) the written consents referred to under the paragraph headed "Statutory and General Information – D. Other Information – 4. Consents of Experts" in Appendix IV to this prospectus;

(j) the material contracts referred to in "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix IV to this prospectus; and

(k) the service contracts with our Directors referred to in "Statutory and General Information – C. Further Information about Our Directors – 1. Particulars of Directors' service contracts and appointment letters" in Appendix IV to this prospectus.

小菜园

小菜園國際控股有限公司

Xiaocaiyuan International Holding Ltd.