You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [**REDACTED**] *in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such case, the market price of our Shares could decline, and you may lose all or part of your* [**REDACTED**]. *These factors are contingencies may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements".*

RISKS RELATING TO OUR BUSINESS

Our business significantly depends on the market recognition of our "鄉村基 CSC" and "大米先生 Rice Space" brands. If we cannot maintain or enhance our brand recognition, our business, financial condition, and results of operations may be materially and adversely affected.

Since 2011, we have successfully built up our "鄉村基 CSC" and "大米先生 Rice Space" brands to represent delicious, affordable, everyday Chinese food. We believe that maintaining and enhancing our brand recognition is important for us to maintain our competitive advantage. 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 maintaining and enhancing our brand image largely depends on our ability to further develop and maintain our distinctive combination of delicious menu offerings, affordable prices and clean dining environments throughout our restaurants, as well as on our ability to respond to competitive pressure. If we are unable to do so, the value of our brand or image will be diminished and our business and results of operations may be materially and adversely affected. As we continue to grow in size, expand our food offerings and services and extend our geographic reach, maintaining quality and consistency may be more difficult and we cannot assure you that customers' confidence in our brands will not be diminished.

We generate a significant portion of our revenues from Chongqing and Sichuan in China. Any event negatively affecting the catering industry in these markets could have a material adverse effect on our overall business and results of operations.

During the Track Record Period, we generated a significant portion of our revenues from our restaurants in Chongqing and Sichuan in China. The revenue from our CSC and Rice Space restaurant business in Chongqing and Sichuan contributed 77.1%, 76.7%, 66.1% and 60.0% of our total revenue from restaurant business in 2019, 2020, 2021 and 2022, respectively. We expect these markets to continue to account for a substantial portion of our revenues in the near future. If either of these locations experiences an event negatively affecting its catering industry, such as a local economic downturn, a natural disaster, a contagious disease outbreak or a terrorist attack, or if the local authorities adopt regulations that place additional restrictions or burdens on us or our industry in general, our overall business and results of operations may be materially and adversely affected.

Our future growth depends on our ability to open and profitably operate new restaurants. We may not be able to enter into new markets successfully. If we failed to effectively manage our expansion, our business and results of operation may be materially and adversely affected.

Our future growth depends on our ability to open and profitably operate new restaurants. In 2019, 2020, 2021 and 2022, we opened 125, 113, 122 and 50 CSC restaurants and 127, 109, 179 and 97 Rice Space restaurants, respectively, and we had a net increase of 99, 61 and 45 CSC restaurants in 2019, 2020 and 2021 and a net decrease of 24 CSC restaurants in 2022. In the same periods, we had a net increase of 110, 61, 135 and 29 Rice Space restaurants. We may not be able to open new restaurants at the same rate 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. We may also encounter delays when applying for relevant material licenses during the approval process from the government authorities, for which the timeline is beyond ourcontrol. Even if we are able to open additional restaurants as planned, these new restaurants may neither be profitable nor have results comparable to our existing restaurants for a period of time. This growth strategy and the substantial efforts associated with the development of each additional restaurant may cause our operating results and profits to fluctuate.

We may also open new restaurants in markets where we do not have rich operating experience. Those new markets may have different competitive conditions, customer tastes 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. Customers in a new market may not be familiar with our brand and we may need to spend more time building our brand awareness. We may find it more difficult in new markets to hire, motivate and retain qualified employees who share our core value and culture. Opening restaurants in new markets may record lower average sales, lower average spending per order, higher investment costs or higher operating costs than restaurants in existing markets. And we may take longer to set up supply chain with suitable quality control in such new markets. Sales at 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. In addition, we compete with other restaurants for quality sites in highly competitive markets. Some of our competitors may have the ability to negotiate more favorable lease terms than we can and some lessors and developers may offer priority or grant exclusivity to some of our competitors for desirable locations. If we cannot obtain desirable restaurant locations at commercially reasonable prices and terms, our ability to implement our growth strategy will be adversely affected. There can be no assurance that we will be able to maintain our profitability as we continue to expand into new markets.

In addition, we may not be able to effectively manage our restaurant network expansion as planned. The number and timing of the restaurants opened during any given period are subject to a number of risks and uncertainties, including our ability to identify suitable locations for opening new restaurants, secure leases on commercially reasonable terms, obtain adequate funding for restaurant network expansion, execute the restaurant opening process efficiently, obtain all required licenses, permits and approvals for new restaurants, effectively manage our supply chain and control product quality, recruit, train and retain skilled employees, among other things. Any factors listed above, either individually or in aggregate, may delay or hinder our plan to increase the number of restaurants in desirable locations at manageable cost levels. In addition, we may incur additional operating expenses at both store and headquarters levels as we continue to expand our restaurant network. For example, we expect our investment costs for opening new CSC restaurants to be approximately from RMB250.0 million to RMB500.0 million from 2023 to 2025. We also expect to incur investment costs for opening new Rice Space restaurants to be approximately from RMB300.0 million to RMB550.0 million from 2023 to 2025. If we fail to manage our expansion in a cost-effective manner, our business, results of operation and financial condition may be materially adversely impacted. Furthermore, customers' demand for our products and services may not be as strong as we expect to support our rapid business growth, which may result in over-expansion of our restaurant network.

Currently, we expect to open approximately 100 to 120, over 120 and over 140 new CSC restaurants in 2023, 2024 and 2025, respectively. We also intend to open approximately 110 to 130, 110 to 130 and over 180 new Rice Space restaurants in 2023, 2024 and 2025, respectively. Based on the current market assessments, we expect to open a total of around 760 to 960 restaurants by the end of 2025. Although such expansion plan, which we believe will allow us to increase market shares while achieving sustainable profitability in the long term, was determined by our management based on thorough market analyses, there can be no assurance that actual market demands may meet our expectation. If our expansion plan turns out to be aggressive, we may experience a significant decrease in our operating profits, and as a result, our business, results of operation, liquidity and financial condition would be materially adversely impacted. All efforts to address the challenges of our growth require significant managerial, financial and human resources. We cannot assure you that we will be able to execute managerial, operating and financial strategies to keep up with our growth. If we are not able to manage our growth or execute our strategies effectively, our growth may slow down and our business, results of operations and prospects may be materially and adversely affected.

We may not be able to maintain and increase the sales and profitability of our existing restaurants.

The sales of existing restaurants will continue to affect our financial performance, in particular our revenue and profit. Our ability to maintain and increase existing restaurant sales depends in part on our ability to successfully implement our initiatives to maintain and increase customer traffic and seat turnover rate. There can be no assurance that we will be able to maintain the current sales level and achieve sales and profitability target for our existing restaurants, or that we will achieve our targeted level of expansion within existing geographic markets. If any of these were to happen, sales and profits growth may be materially and adversely affected. In 2019, 2020, 2021 and 2022, we closed 26, 52, 77 and 74 CSC restaurants and 17, 48, 44 and 68 Rice Space restaurants, respectively, primarily due to termination of the relevant lease agreements and restaurants' underperformance due to changes in business environment and customer traffic, which in 2020, 2021 and 2022 was primarily affected by the COVID-19 pandemic. See "Business – Our Restaurants – Restaurant Network" for more details.

In addition, if we open new restaurants in our existing markets, the sales performance and customer traffic of our existing restaurants near such new restaurants may decline as a result of increased competition. Furthermore, there can be no assurance that the sites of our existing restaurants will continue to be attractive as the areas in which they are located may deteriorate or otherwise change in the future, resulting in reduced sales at these sites. For example, construction or renovation works in the surrounding areas may adversely affect the accessibility of our relevant restaurant sites, which in turn may result in a decrease in the pedestrian or vehicle flow and ultimately the customer traffic at our relevant restaurants. This may in turn adversely affect our ability to achieve the anticipated growth in revenue and profitability of our entire restaurant network.

We have in recent years experienced rapid expansion, which leads to increased risks and uncertainties in relation to our business operation, and we may not be able to address such risks and uncertainties.

During the Track Record Period, our network expanded rapidly from 638 restaurants as of January 1, 2019 to 1,154 restaurants as of December 31, 2022. We expect our rapid growth to continue in the foreseeable future. We currently estimate to open approximately 210 to 250 new restaurants in 2023, approximately 220 to 300 new restaurants in 2024, and approximately 310 to 430 new restaurants in 2025 subject to evolving market conditions. We face challenges in continuing our rapid expansion while ensuring consistent, outstanding quality and service. In particular, the challenges entail various major aspects of our operations, including:

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

- *Talent pool for restaurant managers*. Substantially all of our restaurant managers are promoted from more junior positions. They start from non-managerial staff positions and rise through the ranks to become restaurant managers. As a result, we may not have sufficient qualified candidates for restaurant managers.

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

- *Restaurant operation management*. It becomes increasingly difficult to establish comprehensive standards and specifications regarding various aspects of our restaurant operations as we continuously expand our restaurant network. Standardized restaurant operation management is required to maintain the consistency of product quality, food safety and the overall dining experience across our restaurant network. As our headquarters may not be able to effectively and properly manage all of our restaurants given the rapid growth of our business scale, the dining experience at some of our restaurants may not meet our overall standards and requirements. In particular, unsatisfying dining experiences may cause customers to stop coming to our restaurants, switch to our competitors and even file complaints against our restaurants and our brands, which may adversely affect our business and our brand reputation.

Our current expansion plans contemplate more rapid expansion than we have previously undergone. 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 on us to maintain consistent service and food quality and preserve our corporate culture 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. Although we have refined our management structure to have a more flexible and supportive structure to strengthen our daily operation, we cannot assure you that our headquarters will be able to effectively manage our restaurants as we grow in business scale. There can be no assurance that we will always be able to address our needs at different stages of our growth. Any significant failure could have a material and adverse effect on our business and results of operations.

We incurred net loss in the past and we may not be able to sustain profitability in the future.

We recorded a net loss of RMB2.4 million in 2020, primarily due to a decline in customer traffic, temporary restaurant closures and reduced operating hours as a result of the impact of COVID-19 outbreak in 2020, which was partially offset by new restaurant openings and the growing delivery business. While we saw a strong rebound in 2021 as the pandemic was better contained in China, recording a net profit of RMB109.4 million, we cannot assure you that we will be able to maintain or increase profitability in the future. Our future profitability will depend on a variety of factors, including the macroeconomic and regulatory environment, the development of COVID-19 and other contagious diseases, customers' preference on QSR, competitive landscape, as well as the expansion and performance of our restaurants. If we fail to sustain or increase profitability, our business, results of operations and financial condition could be adversely affected.

We had loss-making restaurants in the past and may continue to record restaurant-level operating losses.

Excluding the restaurants newly opened in the corresponding periods, we had a total of 47, 96, 68 and 128 CSC restaurants that recorded operating losses in 2019, 2020, 2021 and 2022, respectively, and had a total of 74, 180, 60 and 144 Rice Space restaurants that recorded operating losses during the same periods. The existence of these loss-making restaurants was primarily due to (i) the impact of the COVID-19 pandemic in 2020 and the resurgence of COVID-19 outbreaks in our major markets including Chongqing, Sichuan and Shanghai in 2022, leading to a decline in customer traffic, reduced operating hours and temporary restaurant closures, and (ii) underperformance of certain restaurants caused by changes in business environment, which was further exacerbated by the COVID-19 pandemic.

For the loss-making restaurants, although we monitor their performance on a continued basis and typically take various measures to improve their profitability, we cannot assure you that there would not be any loss-making restaurants in the future. If we record restaurant-level operating losses in the future, our business, financial condition and results of operations may be materially and adversely affected.

Our business operations and financial performance have been and may continue to be affected by COVID-19.

The COVID-19 pandemic has materially and adversely affected the global economy since its first outbreak in January 2020. The catering industry is among those hammered most by the pandemic. According to the Frost & Sullivan Report, the revenue generated from Chinese quick service restaurants declined by 12.8% from RMB755.7 billion in 2019 to RMB659.0 billion in 2020. While rebounding to RMB772.8 billion in 2021 when the pandemic was better contained, such revenue again dropped by 5.8% to RMB728.0 billion in 2022 as a result of the COVID-19 resurgence, according to the same source.

The COVID-19 pandemic materially and adversely affected our business operations and financial performance. During the pandemic, our restaurants experienced temporary closure and business suspension, and our business operations suffered from reduced customer traffic and limited operating hours. Based on our management's estimates, the temporary closures for our restaurants in 2020 resulted in a loss of revenue of approximately RMB360 million, and the temporary closures for our restaurants in 2022 resulted in a loss of revenue of approximately RMB260 million. From late March to May 2022, the operation of substantially all of our Rice Space restaurants in Shanghai was suspended, which, based on our management's estimates, resulted in a loss of revenue of approximately RMB120 million. See "Business – Impact of the COVID-19 Pandemic" for more details. During the Track Record Period, while we managed to increase our revenue from RMB3,257.3 million in 2019 to RMB4,706.5 million in 2022, our net profit dropped from RMB82.7 million in 2019 to RMB30.8 million in 2022. See "Financial Information – Impact of the COVID-19 Pandemic" for more details.

With most of the travel restrictions and quarantine requirements lifted in December 2022, we have observed progressive recovery in the restaurants business performance for both of our CSC and Rice Space restaurants starting from February 2023. However, there remains uncertainty as to the future impact of the virus. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are highly uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments. We cannot guarantee you that the COVID-19 pandemic will not further escalate or have a material adverse effect on our business, results of operations and financial condition. To the extent the COVID-19 outbreak adversely affects our business and operations, it may also have the effect of heightening many of the other risks described in this section, such as those relating to our capabilities to expand and successfully operate our restaurant network and obtaining any additional capital required in a timely manner or on acceptable terms.

Our operations are susceptible to increases in our costs for raw materials and consumables used, which could lead to fluctuation in our margins and results of operations.

Our profitability depends significantly on our ability to anticipate and react to changes in costs for raw materials and consumables used. In 2019, 2020, 2021 and 2022, our costs for raw materials and consumables used amounted to RMB1,401.1 million, RMB1,367.6 million, RMB1,972.3 million and RMB2,020.5 million, representing 43.0%, 43.3%, 42.7% and 42.9% of our total revenue in the same periods, respectively. We primarily rely on regional and national suppliers in China for our supplies. Increases in sale prices or transportation costs or failure to perform by our suppliers could cause our costs to increase. We may be unwilling or unable to pass these cost increases onto our customers, and our operating margins may decrease as a result.

The availability, type, variety, quality and price of supplies are subject to factors beyond our control, such as seasonal shifts, climate conditions, natural disasters, governmental regulations and availability, any of which may affect our costs or cause a disruption in our supply. Our suppliers may also be affected by higher costs to produce and transport goods used in our restaurants, and rising labor costs and other expenses, which could result in higher costs for goods and services supplied to us. During the Track Record Period, prices of many goods had fluctuated significantly and some had manifested a growth tendency. For example, the price of pork increased from approximately RMB25.6 per kilogram in 2019 to RMB38.5 per kilogram in 2020 and then decreased to RMB23.3 per kilogram in 2021. For a sensitivity analysis to evaluate the hypothetical effects of the fluctuation in cost of raw materials and consumables on our results of operations during the Track Record Period, see "Business – Supply Chain Management – Procurement – Procurement Cost Control". We currently do not enter into futures contracts or engage in other financial risk management strategies against potential price fluctuations in our supplies. Driven by rising disposable income level, growing awareness of food safety, and increasing demand for quality ingredients, it is expected that the average price of raw materials and consumables will be on an upward trend in the foreseeable future. See "Industry Overview – Major Raw Materials Prices Analysis" for further details. We may not be able to anticipate and react to changes in costs through our purchasing practices and menu price adjustments in the future, and failure to obtain the requisite quantity of quality raw materials and consumables at commercially reasonable prices will hinder our ability to serve customers and could materially and adversely affect our business and results of operations.

Any failure or perceived failure to deal with customer complaints or adverse publicity involving our food or services, in particular any significant liability claims or food contamination complaints from our customers, could materially and adversely impact our business and the results of operations.

A chain restaurant business such as ours can be adversely affected by negative publicity whether accurate or not. The negative publicity can arise from news reports or allegations in print and online media regarding our restaurant operations, in particular alleged food quality and safety issues. Reports on public health concerns and/or negative media attention concerning our competitors or catering service providers across the food industry supply chain may potentially affect customer perception of our business as well. Any such negative publicity could materially harm our business, brands and results of operations.

Being in the catering industry, we face an inherent risk of food contamination and liability claims. Our food quality depends partly on the quality of the food ingredients and raw materials provided by our suppliers and we may not be able to detect all defects in our supplies. Any food contamination occurring at food processing plants or factories or during the transportation from food processing plants or factories to our restaurants that we fail to detect or prevent could adversely affect the quality of the food served in our restaurants. Due to the scale of our operations, we also face the risk that certain of our employees may not adhere to our mandatory quality procedures and requirements. Any failure to detect defective food supplies, or observe proper hygiene, cleanliness and other quality control requirements or standards in our operations could adversely affect the quality of the food we offer at our restaurants, which could lead to liability claims, complaints and related adverse publicity, reduced customer traffic at our restaurants, the imposition of penalties against us by relevant authorities and compensation awarded by courts. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material incidents relating to food and health-related matters. There can be no assurance that we will not receive any food contamination claims from our customers or receive defective products from our suppliers in the future. Any such incidents could materially harm our reputation, results of operations and financial condition.

Additionally, a significant number of complaints or claims against us, even if meritless or unsuccessful, could force us to divert management and resources from other main business concerns, which may adversely affect our business and operations. Adverse publicity resulting from such complaints or claims, even if meritless or unsuccessful, could cause customers to lose confidence in us and our brands. As a result, we may experience significant declines in our revenue and customer traffic from which we may not be able to recover.

Rising labor costs may lead to declines in our margins and operating results.

Historically, staff costs, which comprise salaries and benefits payable to all our employees and staff, including our Directors, senior management, headquarter personnel and restaurant level staff, have been a major component of our operating costs. In 2019, 2020, 2021 and 2022, our staff costs were RMB775.3 million, RMB700.3 million, RMB1,090.6 million and RMB1,173.6 million, respectively, representing 23.8%, 22.2%, 23.6% and 24.9% of our revenue for the same periods, respectively. Currently, all of our employees and staff are employed in China. The economy in China has grown significantly over the past 20 years, which has resulted in an increased average cost of labor. The overall economy and the average wage in China are expected to continue growing.

The Labor Contract Law of the PRC, effective on January 1, 2008 and amended on December 28, 2012, formalizes workers' rights concerning overtime hours, pension, layoffs, employment contracts, and the role of labor unions, and provides specific standards and procedures for the termination of an employment contract. In addition, the Labor Contract Law requires the payment of a statutory severance pay upon the termination of an employment contract in most cases, including in cases of the expiration of a fixed term employment contract. The implementation of the Labor Contract Law may lead to significant operating expenses, in particular our staff costs. In the event that we decide to terminate the employment of some of our employees or otherwise change our employment or labor practices, the Labor Contract Law may also limit our ability to effect these changes in a manner that we believe to be cost-effective or desirable. Any shortages in the availability of labor or any material increase in the cost of labor will diminish our competitive advantage and have a material and adverse effect on our business, financial condition and results of operations.

We are subject to risks concerning property rental costs, unexpected termination of leases, renewal of existing leases and any unexpected land acquisitions, building closures, or demolitions.

As we operate a vast majority of our restaurants on leased properties, we have a significant exposure to the retail rental market. Fixed payments of leases with a term over one year are capitalized as right-of-use assets and are depreciated over the lease term. In 2019, 2020, 2021 and 2022, our depreciation of right-of-use assets was RMB237.8 million, RMB270.5 million, RMB325.1 million and RMB354.8 million, respectively, representing 7.3%, 8.6%, 7.0% and 7.5% of our revenue for the same periods, respectively. Fixed payments of leases with a term of one year or less, variable lease payments and property management fees are recorded as property rentals and related expenses. In 2019, 2020, 2021 and 2022, property rentals and related expenses amounted RMB79.4 million, RMB78.7 million, RMB122.0 million and RMB132.5 million, respectively, representing 2.4%, 2.5%, 2.6% and 2.8% of our revenue for the same periods, respectively. Since rental expenses represent a relatively significant portion of our total operating expenses, our profitability may be adversely affected by any substantial increase in the rental expenses of any of our restaurant premises.

Lessors may be entitled to terminate our lease agreements prematurely. In addition, the leased properties we occupy may be subject to compulsory acquisition, closure or demolition by the PRC government. Although we may receive liquidated damages or compensation if our leases are terminated unexpectedly, we may be forced to suspend operations of the relevant restaurant and divert management attention, time and costs to find a new site and relocate our restaurant, which will negatively affect our business and results of operations.

We generally enter into long-term leases of approximately five years with an option to renew at the end of the leasing period for our restaurants. A majority of our leases have fixed rental payment arrangements and our leases may be subject to incremental increases as stipulated in the lease agreement. We generally renegotiate the terms and conditions, such as rent, when renewing our leases. We cannot assure you that we would be able to renew the relevant lease agreements without substantial additional cost or increase in the rental cost payable by us, if at all. If a lease agreement is renewed at a rent substantially higher than the current rate, or currently existing favorable terms granted by the lessor are not extended, our business and results of operations may be materially and adversely affected. If we are unable to renew the leases for our restaurant sites, we will have to close or relocate the restaurant, which could subject us to substantial costs and risks, and could have a material and adverse effect on our business and results of operations. In addition, the revenue and profit, if any, generated at a relocated restaurant may be less than the revenue and profit generated at the existing restaurant. As a result, any inability to obtain leases for desirable restaurant locations or renew existing leases on commercially reasonable terms could have a material adverse effect on our business, financial condition and results of operations. Furthermore, our dependence on the long-term leases may increase our vulnerability to adverse economic conditions, limit our ability to obtain additional financing, and reduce our cash availability. We may not be able to react to the market fluctuations in a flexible way under such long-term lease.

Any failure to maintain effective food safety and quality control systems for our restaurants could have a material adverse effect on our reputation, results of operations, and financial condition.

The quality and safety of the food we serve is critical to our success. Maintaining consistent food quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our quality control systems and our ability to ensure that our employees adhere to and implement quality control policies and guidelines. Our quality control systems consist of raw material procurement and processing quality control, storage quality control, transportation quality control, and restaurant quality control which includes operation process control and food safety quality control. For more details on our quality control systems, see "Business – Food Safety and Quality Control". There can be no assurance that our quality control systems will prove to be effective. Any significant failure or deterioration of our quality control systems could have a material adverse effect on our reputation, results of operations and financial condition.

We may not be able to adequately protect our trademarks, proprietary know-how or other intellectual property, including our recipes, which, in turn, could adversely affect our business and harm the value of our brand.

Our trademarks, proprietary know-how, recipes, trade secrets and other intellectual property, especially our names and logos, are important to our business. Although we have duly registered, applied or are in the process of applying to register many of our trademarks which we believe are essential for our business operation, we have not registered some of our trademarks and we cannot assure you that we can file our applications timely and all of our trademark applications will be approved. Third parties may also oppose our trademark applications, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our operations and services, which would result in significant loss of brand recognition, require us to devote tremendous additional efforts and resources to advertise and market new brands, and materially affect our business and results of operations.

We also take other precautionary measures to protect our intellectual properties. However, we cannot assure you that these measures are adequate and effective in preventing others from independently developing or otherwise obtaining access to our proprietary trademarks, know-how, recipes and trade secrets. As a result, the appeal of our restaurants could be reduced and our business and results of operations could be adversely affected.

We cannot assure you that we can prevent third-parties from infringing upon our intellectual property rights. For example, during the Track Record Period, we have identified third parties which used or imitated our trademarks or trade name without our authorization and operate restaurants in cities where we do not have a presence. In addition, unauthorized use of our trademarks, trade names and trade secrets by unrelated third parties may damage our reputation and brand. We may, from time to time, be required to institute litigation, arbitration or other proceedings to enforce our intellectual property rights, which would likely be time-consuming and expensive to resolve and would divert our management's time and attention regardless of its outcome, materially and adversely affecting our business, financial conditions and results of operations. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving, and could involve substantial risks to us. If we are unable to adequately protect our trademarks, copyrights and other intellectual property rights, we may lose these rights, our brand name may be harmed, and our business may suffer materially.

On the other hand, we may face claims of infringement that could interfere with the use of our proprietary know-how, 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.

We operate in a highly competitive, fast-changing market and may lose our market share if we fail to compete successfully.

We encounter intense competition in the Chinese QSR industry and our market share may be affected by, among other things, food quality and safety, taste, price, dining environment, services, location and employees. Our competitors are from a variety of sectors and geographic markets, including locally-owned restaurants and regional and international chain restaurants. Our competitors may offer dine-in, take-away and food delivery services. There are a number of competitors with substantially greater financial, marketing, personnel and other resources than ours, some of which are well established in the geographic markets where we have existing restaurants or intend to open new restaurants. In addition, other companies may develop new restaurants or brands that resemble our concepts and target customers, and thus increase the competition.

Any inability to successfully compete with the other competitors may prevent us from increasing or sustaining our revenue and profitability, and further, we may lose our market share. Moreover, we may need to modify or refine our restaurants and train our employees to offer pleasant dining experience to our customers, and in a long term, reshape our brand image and develop our corporate culture to place us at a long-standing competitive advantage. We cannot assure you that we will be successful in doing so, and the costs incurred may reduce our profitability.

We are subject to the risk of obsolescence for our inventory.

Our inventories primarily consists of food ingredients and condiment, kitchen-wares, packing materials and other materials used in our restaurant operations. As of December 31, 2019, 2020, 2021 and 2022, the balances of our inventories amounted to RMB128.3 million, RMB104.6 million, RMB125.3 million and RMB118.5 million, respectively. Our major food ingredients, including edible oil, rice, meats (frozen and fresh) and vegetables, have a typical shelf life of 12 to 18 months, 12 to 18 months, 12 months (frozen meats) or less than 48 hours (fresh meats) and less than 48 hours, respectively. The risk of obsolescence for our inventory increases as the age of our food ingredients increases. In addition, though we adopt multiple methods to manage inventory levels as set out in "Business – Supply Chain Management – Procurement", certain factors such as unexpected fluctuations in the supply of raw materials or changes in customers' 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 inventory. 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.

Disruptions to any of our restaurants will affect our financial conditions and results of operations.

Our business will be affected by disruptions to any of our restaurants. The occurrence of a fire, machine down-time, power failure, power surges, disruptions to gas, power or water supplies, explosions of our restaurants or injuries to our staff may result in the suspension or delay in our business. For example, in August 2022, strong heatwave and drought swept across Chongqing and Sichuan, leading to power shortage in the affected areas. Accordingly, local governments ordered temporary power cuts for industrial plants, office buildings, shopping malls and households, and imposed limitations on the power supply for industrial and commercial usage during August 15-26, 2022, which temporarily reduced customer traffic and operating hours of our restaurants by a few hours per day affecting the business operations of around 20% of our restaurants in Chongqing and Sichuan during the aforementioned period. We may also be exposed to product safety or quality issues during our food processing, such as food contamination or spoilage of raw materials. In addition, our business may also be interrupted or otherwise affected by labor strikes or natural disasters, such as floods, droughts and earthquakes, which could cause damage to our restaurants. Any major disruption to our restaurants could have a material adverse effect on our business operations, financial conditions and results of operations.

Shortages or interruptions in the availability and delivery of our food ingredients and other supplies may affect our business growth and profitability, which could result in disruptions to our business.

If our suppliers do not deliver food ingredients and other supplies in a timely manner, we may experience supply shortages and increased food costs. The ability to source high-quality food ingredients at competitive prices in a timely manner is crucial to our business. A disruption of our food supplies can occur for a variety of reasons, many of which are beyond our control, including adverse weather conditions, epidemic diseases, natural disasters and labour strikes. The disruption could lead to delayed or lost deliveries to our restaurants or customers, and may result in the loss of revenue and compensation to our customers. There may also be instances where the conditions of fresh, chilled or frozen food products, being perishable goods, may deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our logistics department or suppliers. This may result in a failure on us to provide quality food and services to customers, thereby damaging our reputation.

In addition, our ability to maintain consistent quality and maintain our menu offerings throughout our restaurants depends in part upon our ability to acquire raw materials, food ingredients and related supplies in sufficient quantities from reliable sources that meet our food safety and quality specifications. We specified the purchase prices and included price-lock arrangements in our agreements with certain suppliers, which typically allow us to enjoy a fixed price during the one-year contract term and the right to re-negotiate the price if market price at the time of purchase decreased. However, the purchase prices with many suppliers for food ingredients and raw materials are set by way of purchase orders, which is subject to market fluctuations. In 2019, 2020, 2021 and 2022, purchases from our five largest suppliers accounted for 26.1%, 23.4%, 27.6% and 22.9%, respectively, of our total purchases for each year/period during the Track Record Period and purchases from our largest supplier accounted for 6.4%, 7.3%, 11.1% and 9.2% of our total purchases in the respective periods. During the Track Record Period, none of our key suppliers ceased or indicated that it would cease supply of food ingredients to us. Also, we did not experience any material delays or interruptions in securing the supply of food ingredients. However, there can be no assurance that we will be able to maintain business relationships with our key suppliers in the future.

In addition, there can be no assurance that our current suppliers may always be able to meet our stringent quality control requirements in the future. If any of our suppliers does not perform quality control adequately or otherwise fail to distribute supplies 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 food ingredients costs and cause shortages of food ingredients and other supplies at our restaurants. Any significant food shortages or supply disruptions will lead to the unavailability of some menu items and a significant reduction in revenue as customers seek out alternative dining options.

Any significant disruption in our technology infrastructure and system, or our failure to maintain the satisfactory performance, security and integrity of the technology infrastructure and technology system could materially and adversely affect our business, reputation, financial condition and results of operations.

The proper functioning of our technology infrastructure and system is critical to our business. We rely on our technology to improve customer engagement and our operational efficiency, among others. The risks we face in relation to the disruption of our technology infrastructure and system include:

- We rely on third-party payment, such as Alipay and WeChat Pay, and food delivery platforms and services to conduct our business and any interruptions or delays in such platforms and services may impair our normal operations.

- We may be exposed to disruptions in our technology infrastructure due to incompatibility of different operational information systems. We may acquire data from third-party platforms to our proprietary operational information system, which allows for effective integration of various data and information. While we expect such proprietary system to support our expanded business operations in the long term, we cannot assure you that we will not encounter temporary frictions or disruptions during business operation.

- We may encounter problems when upgrading our technology infrastructure including our mini program on social media platforms, systems and software. The development, upgrades and implementation of our technology infrastructure involve complex processes. Issues not identified during pre-launch testing of new products or services may only become evident when such products or services are made available to our entire customer base. Therefore, our technology infrastructure, including our mini program on the mainstream social media platform, may not function properly if we fail to detect or solve technical errors in a timely manner.

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

The forementioned events and other incidents may lead to the unavailability of our mini program on social media platforms, interruption of our supply chain and delivery, leakage or permanent loss of customer data, interruptions or decreases in connection speed, or other events which would affect our operations. If we experience frequent or persistent service disruptions, whether caused by failures of our own systems or those of third-party suppliers or service providers, our reputation or relationships with our customers may be damaged and our customers may switch to our competitors, which may have a material adverse effect on our business, financial condition and results of operations.

We may not receive compensation from suppliers for contaminated ingredients used in our dishes, and indemnity provisions in our supply contracts may be insufficient.

In the event that we become subject to food safety claims caused by contaminated or otherwise defective ingredients or raw materials from our suppliers, we may attempt to seek compensation from the relevant suppliers. However, indemnities provided by suppliers may be limited and the claims against suppliers may be subject to certain conditions precedent which may not be satisfied. Further, indemnity provisions in our supply contracts may be insufficient and some of our supply contracts do not have provisions to cover lost profits and indirect or consequential losses. If no claim can be asserted against a supplier, or such claim is not supported by the court in part or all, or amounts that we claim cannot be recovered from the supplier, to the extent that our insurance coverage is insufficient, we may be required to bear such losses and compensation at our own costs. This could have a material and adverse effect on our business, financial condition and results of operations.

We may be unable to successfully develop new brands.

Historically, substantially all of our revenue has been generated from our "鄉村基 CSC" and "大米先生 Rice Space" brands. We remain open-minded regarding the potential opportunities of developing and launching new brands and may operate restaurants under other brands that we may launch. However, any new brand that we may launch may not achieve anticipated sales targets. To support our expansion plans, we will need to recruit more staff with expertise in managing different brands and services, and further enhance our operational and financial systems, procedures and controls. In addition, 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 such 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 capital expenditure. We cannot assure you that any new brands that we may launch will gain market acceptance or generate positive cash flows.

Our business is affected by changes in customer taste and dining preference, and we may not be able to respond to such changes in a timely manner.

The catering industry is affected by changing customer taste and dining preference. We regularly review and update our menu to offer novel entrées to reflect changes in seasons, regional preferences and tasting trends. However, we cannot assure you that QSR is always preferred by customers among all cuisine styles. In addition, customer tastes and preferences are constantly changing and our failure to anticipate, identify, interpret and react to these changes, including, among others, updating our menu options, could lead to reduced customer traffic and demand for our restaurants. We cannot assure you that we will continue to be preferred by customers, or that we will be able to adapt to local tastes and preference as we expand into new markets in China.

In addition, if prevailing health or dietary preferences and perceptions cause customers to avoid our products in favor of alternative food, our business could suffer. Even if we do correctly anticipate, identify, interpret and react to these changes, there can be no assurance that we will be able to effectively respond to customer preferences or result in increased profits. If we are unable to respond to changes in customer taste and preferences in a timely manner or at all, or if our competitors are able to address these concerns more effectively, our business, financial condition and results of operations may be materially and adversely affected.

Our marketing programs may not be successful, and our new menu items, advertising campaigns, and restaurant designs and remodels may not generate increased sales or profits.

We incur costs and expend other resources in our marketing efforts on new menu items, advertising campaigns and restaurant designs and remodels to raise brand awareness and attract and retain customers. These initiatives may not be successful, resulting in expenses incurred without the benefit of higher revenues. Additionally, some of our competitors may have greater financial resources, which enable them to spend significantly more on marketing and advertising and other initiatives than we are able to. Should our competitors increase spending on marketing and advertising and other initiatives or our marketing funds decrease for any reason, or should our advertising, promotions, new menu items and restaurant designs and remodels be less effective than our competitors, there could be a material adverse effect on our results of operations and financial condition.

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

We receive and handle cash in our daily operations. We implement internal procedures and policies to monitor our operations and ensure overall compliance, specifically in relation to employee conduct and cash management. See "Business – Operation and Management – Settlement and Cash Management" for further details. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any instances of fraud, theft and other misconduct involving employees, customers or other third parties that had any material adverse impact on our business and results of operations. However, we cannot assure you that there will not be any such instances in the future. Further, as we have sold prepaid cards and distributed discount vouchers to customers, we are susceptible to forged prepaid cards and vouchers and the associated misappropriations or crimes. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business, results of operations and financial condition.

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

We purchase and maintain insurance policies that we believe are customary for businesses of our size and type and as required under the relevant laws and regulations. In China, we currently maintain (i) public liability insurance to cover liability for damages arising out of our business operations for all of our restaurants, (ii) property insurance to protect our business from certain natural disasters and other unfortunate events, and (iii) group accident insurance and/or employer liability insurance for our part-time workers. See "Business – Insurance". However, we cannot guarantee that our insurance policies will provide adequate coverage for all the risks in connection with our business operations. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our financial conditions and results of operations. We may be required to bear our losses to the extent that our insurance coverage is insufficient.

Our results of operations may fluctuate due to seasonality.

We experience seasonality in our business. Seasonal factors and the timing of holidays cause our revenues to fluctuate from quarter to quarter. We normally record higher sales during July to October than other months in a year, especially during summer vacations. Our restaurants opened next to office buildings may record lower sales during weekends and public holidays, especially during the Chinese New Year. As a result, our results of operations may fluctuate from period to period and comparison of different periods may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

Any failure to protect our customer data, including security breaches of our databases, or the improper collection, use or disclosure of such data, as well as the uncertainties surrounding the cybersecurity review may subject us to the liabilities imposed by data privacy and protection laws and regulations, which may negatively impact our reputation and business.

In the ordinary course of our business, we collect and use information provided by members, which may include their account names and phone numbers. For more details, please refer to "Business – Data Privacy and Security". We are subject to various laws and regulations regarding the collection, storage, sharing, use, disclosure and protection of personally identifiable information and data. The PRC government has been tightening the regulatory regime on data privacy and security.

The PRC Cyber Security Law, effective on June 1, 2017, stipulates that a network operator, including internet information service providers, among others, must adopt technical measures and other necessary measures in accordance with applicable laws and regulations as well as compulsory national standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities and maintain the integrity, confidentiality and availability of network data. We have taken efforts to comply with the applicable laws, regulations and standards. However, there can be no assurance that our measures will be effective and sufficient to prevent any violations under the PRC Cyber Security Law. Any failure to comply with the PRC Cyber Security Law may subject us to warnings, fines, confiscation of illegal revenue, revocation of licenses, cancellation of filings, shutdown of the website or even criminal liability, where our business, results of operations and financial condition would be adversely affected. In addition, due to the evolving regulatory framework in the PRC for the protection of information in cyberspace, we may be subject to uncertainties of and adjustments to our business practices, which may incur additional operating expenses and adversely affect our results of operations and financial condition.

The PRC Personal Data Protection Law, which entered into effect on November 1, 2021, clarifies the concept and processing rules of personal information, regulates the processing of sensitive personal information such as facial recognition, emphasizes that personal information should not be collected excessively, standardizes the installation of image acquisition and personal identification equipment in public places and requires large internet platforms to establish and improve their personal information protection compliance system. We cannot assure you that our existing privacy and personal information protection system and technical measures will be considered sufficient under applicable laws and regulations, and we may be subject to government enforcement actions and investigations, fines, penalties, or suspension of our non-compliant operations, among other sanctions, which could materially and adversely affect our business and results of operations.

The Administration Governing the Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "Draft Data Security Regulations"), published on November 14, 2021, which provides cross-border data transmission security and cybersecurity review standards for listing abroad and in Hong Kong and the protection of important data and personal information rights. According to Article 73 of the Draft Data Security Regulations, data processors refer to individuals and organizations that independently determine the purposes and methods of their data processing activities. If the listing in Hong Kong of a data processor affects or may affect national security, or any other data processing activities of a data processor affect or may affect national security, the data processor shall, in accordance with relevant state provisions, apply for a cybersecurity review. As of the Latest Practicable Date, the Draft Data Security Regulations was released for public comment only and its final version and effective date are subject to change and uncertainty.

The Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "Cybersecurity Review Measures"), published on December 28, 2021 and effective from February 15, 2022, stipulates that a network platform operator that holds personal information of more than one million users, when applying for listing abroad (國外), must apply to the Cybersecurity Review Office (網絡安全審查辦公室) for a cybersecurity review. Under the Cybersecurity Review Measures, the mandatory requirement of cybersecurity review is applicable to companies which are seeking a listing abroad (國外). On March 8, 2022, our PRC Legal Advisor conducted a telephone consultation (the "Consultation") 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"), the only competent institution appointed by the Cyberspace Administration of China (國家互聯網信息辦公室) (the "CAC") to be responsible for accepting applications for cybersecurity review submitted by enterprises according to Article 7 of the Cybersecurity Review Measures, checking the application materials prima facie, and organizing the review under the Cybersecurity Review Measures. During the Consultation, our PRC Legal Advisor informed the CCRC official of our proposed [**REDACTED**] and the CCRC official confirmed that our proposed [**REDACTED**] does not fall within the scope of "seeking a listing abroad" and therefore the cybersecurity review requirement under Article 7 of the effective Cybersecurity Review Measures is not applicable to the Company. Thus, our PRC Legal Advisor advises that although we hold personal information of more than one million users, given that Hong Kong does not fall into the scope of "abroad (國外)", our [**REDACTED**] in Hong Kong does not constitute "seeking a listing abroad" as described in Article 7 of the Cybersecurity Review Measures, therefore we are not required to proactively apply for cybersecurity review for our [**REDACTED**] in Hong Kong. The Cybersecurity Review Measures also provides that a critical information infrastructure operator purchasing network products and services, which affect or may affect national security, must apply for cybersecurity review. As of the Latest Practicable Date, no domestic affiliates of our Company had been designated by the competent authorities as a critical information infrastructure operator. According to Article 2 of the Regulation on Security Protection of Critical Information Infrastructures, our PRC Legal Advisor is also of the view that the possibility of the information systems operated by our domestic affiliates being determined as critical information infrastructure is remote, because the data processed by our information systems is limited and our information systems are of low relevance with national security, national economy, people's livelihood and public interests. Based on the above factors, our PRC Legal Advisor is of the view that we are not required to initiate a submission for cybersecurity review in connection with the [**REDACTED**] under the Cybersecurity Review Measures.

The regulatory regime on data privacy and security in China is relatively new. The interpretation and application of relevant laws, regulations and standards remain uncertain and evolving. We cannot assure you that governmental authorities will not interpret or implement the laws or regulations in ways that negatively affect us. We may be subject to investigations and inspections by government authorities regarding our compliance with relevant laws and regulations. Any inability to adequately address data privacy and security concerns, even if unfounded, or to comply with applicable data security and privacy laws, regulations and standards, could result in additional cost and liability for us, damage our reputation, inhibit the visit to our accounts and mini programs on social media platforms and harm our business.

We are potentially vulnerable to cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions. While we have taken steps to protect our database, including double-firewalls, antivirus walls and web application firewalls, our security measures could still be breached. Any accidental or willful security breaches or other unauthorized access to our database could cause confidential information to be stolen and used for criminal purposes. Security breaches or unauthorized access to confidential information and personal information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity. If security measures are breached because of third party action, employee error, malfeasance or otherwise, or if design flaws in our technology infrastructure are exposed and exploited, our relationships with customers could be severely damaged, we could incur significant liability and our business and operations could be adversely affected. We cannot guarantee that we will not experience attacks and unexpected interruptions in the future. Moreover, we can provide no assurance that our current security mechanisms will be sufficient to protect our IT systems from any third-party intrusions, viruses or hacker attacks, information or data theft or other similar activities. Any security and privacy breach may lead to leak and unauthorized disclosure of data and information we hold and materially and adversely affect our brand image, our business, reputation, financial condition and results of operations.

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

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 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 and/or our ability to control costs and operating expenses. Our staff costs may fluctuate from month to month as we are required by law to pay our staff a higher rate for work on public holidays. In addition, we recorded a significant amount of share-based compensation expenses and recognize some of our expenses related to the [**REDACTED**] in 2021, both of which will impact our profit for the year. You should not rely on our historical results to predict our future financial performance.

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

To ease the impact of the COVID-19 outbreak, the Ministry of Finance and the SAT of the PRC jointly promulgated in February 2020 the Announcement on Tax Policies in Support of Prevention of the COVID-19 (《關於支持新型冠狀病毒感染的肺炎疫情防控有關稅收政策的公告》), pursuant to which enterprises that provide services and support for daily life are entitled to the output value-added tax exemption since January 1, 2020. Accordingly, we received VAT exemption from the PRC government, which is non-recurring in nature. Such VAT exemption amounted to RMB28.7 million and RMB6.4 million, respectively, in 2020 and 2021. Such COVID-19 preferential tax policies expired in March 2021 and we no longer enjoy such exemption.

In addition, the Ministry of Finance, the SAT and the General Administration of Customs of the PRC issued Tax Policy on Deepen VAT Reform (《關於深化增值稅改革有關政策的公告》), which came into effect from April 1, 2019, and the Ministry of Finance and SAT issued Tax Policy on VAT Deduction for Life Industry (《關於明確生活性服務業增值稅加計抵減政策的公告》), which came into effect from September 30, 2019. Accordingly, we recorded additional tax deduction of RMB4.0 million, RMB6.5 million, RMB25.2 million and RMB40.7 million in 2019, 2020, 2021 and 2022, respectively. Furthermore, in relation to the outbreak of COVID-19, we received government grants of RMB3.9 million, RMB0.5 million and RMB0.6 million in 2020, 2021 and 2022, respectively. We cannot assure you that we will continue to receive such government grants at the same level or at all, or that we will continue to enjoy the current preferential tax treatment, in which case our business, financial condition and results of operation may be materially and adversely affected.

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

As of the Latest Practicable Date, the lessors of 23 out of 1,152 of our leased properties in operation in China failed to provide us with valid title certificates, relevant authorization documents or other documents evidencing their rights to lease the properties, which accounted for an aggregate GFA of approximately 5,066.2 square meters, representing approximately 1.5% of the total GFA of our leased properties in operation. See "Business – Properties – Our Leased Properties – Title and Usage Defects". Our PRC Legal Advisor advised us that our use of the leased properties may be affected if the lessor's right to lease is successfully challenged by an interested third party or the government authority, which may force us to vacate from the relevant properties and relocate our restaurants. As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the properties leased by us for which the relevant lessors do not hold valid lease rights. If any of such properties were successfully challenged, we may be forced to relocate our operations on the affected properties and may be forced to cease these activities in the event we face challenges in relation to our properties. If we fail to find suitable replacement properties on terms acceptable to us for the affected operations, or if we are subject to any material liability resulting from third-party challenges for our lease of such properties, our business, financial condition and results of operations may be materially and adversely affected. Also, we will incur additional costs in identifying and relocating our restaurants to other suitable locations, thus affecting our business operations and financial condition.

The actual use of 67 leased properties (with an aggregate GFA of approximately 14,898.1 square meters, representing approximately 4.4% of our total leased GFA) does not fit into the prescribed scope of usage shown on their respective title certificates or other documents evidencing their rights to lease the properties. See "Business – Properties – Our Leased Properties – Title and Usage Defects". With respect to these properties, as advised by our PRC Legal Advisor, we would not be subject to any fines or penalties solely for the lease of such properties. However, if the lessor's right to lease was challenged by any interested third party or if the lessor was penalized by the competent government authority, our use of the leased properties may be affected.

In addition, 450 out of our 1,152 leased properties in operation were required to be registered and filed with appropriate land and real estate administration bureaus by relevant PRC laws and regulations as well as local government authorities, among which 356 had not been so registered or filed. We were unable to file the lease registration for these 356 out of 1,152 leased properties in operation primarily due to the lack of lessors' cooperation, with an aggregate GFA of approximately 81,476.4 square meters, representing approximately 24.1% of the total GFA of our leased properties in operation. As advised by our PRC Legal Advisor, failure to complete the registration of a lease agreement may lead to a fine of up to RMB10,000 imposed by the relevant PRC authorities. However, the law is unclear regarding which party (the lessor or lessee) will bear the administrative penalty. See "Business – Properties – Our Leased Properties – Lease Registration".

Failure to comply with applicable fire safety regulations may subject us to penalties and will adversely affect our operations.

According to the PRC laws and regulations, restaurants and factories are required to comply with various requirements of fire safety, including obtaining Fire Safety Inspection Approvals, completing fire prevention acceptance check or filing, passing random inspection after the fire prevention acceptance filing and other random inspections in relation to fire safety in daily operations. If we fail to obtain relevant approvals, pass relevant random inspections or complete other applicable fire prevention procedures on a timely basis or at all, we may be fined, ordered to rectify the non-compliance and/or discontinue the operation of the affected business sites. See "Regulatory Overview – Regulations Related to Fire Prevention" for more details.

As of the Latest Practicable Date, we had complied with relevant laws and regulations with respect to fire safety in all material respects. During the Track Record Period, we failed to comply with relevant laws and regulations with respect to fire safety in our restaurants and factory, some of which resulted in administrative fines imposed on us. Prior to December 2021, we failed to obtain the Fire Safety Inspection Approvals for some of our restaurants before they commenced operations. According to applicable PRC laws and regulations, a restaurant failing to obtain the Fire Safety Inspection Approval before opening may be ordered to pay a fine ranging from RMB30,000 to RMB300,000, and to discontinue operations in serious cases. However, as we had implemented additional internal control measures and procedures to ensure fire safety compliance and closed all the restaurants that have not obtained the Fire Safety Inspection Approvals, as of the Latest Practicable Date, all our restaurants in operation have been in compliance with laws and regulations in relation with Fire Safety Inspection Approvals. See "Business – Licenses and Compliance with Laws and Regulations – Fire safety" for more details.

Despite that we have been and will continue to make efforts to ensure our compliance with applicable fire safety laws and regulations, to timely obtain Fire Safety Inspection Approvals, pass relevant inspections, complete other applicable fire prevention procedures and to rectify any identified or potential noncompliance incidents, such efforts may need support and cooperation from third parties, especially from the lessors of the premises where our current and new restaurants are located. We cannot assure you that these third parties will effectively and timely cooperate with us or at all. If we are unable to obtain the required certificates or complete other applicable fire prevention procedures for our restaurants or factories due to reasons within or beyond our control, we may be subject to rectification, fines and/or orders to cease our business operations on the site. In addition, since the laws and regulations on the fire safety are evolving and the implementation involves uncertainty, there can be no assurance that we have been and will be timely aware of and able to properly respond to new legislation, interpretation to current laws and regulations, governmental policies, administrative guidance and requirements, the failure of which may subject our restaurants or factories to administrative penalties, such as order of rectification, fines and/or suspension of business, which will have a material adverse effect on our business, financial condition and results of operations.

Applying for Fire Safety Inspection Approvals may slow down our expansion plan.

In the ordinary course of our business, our restaurants are required to comply with various requirements of fire safety, including obtaining Fire Safety Inspection Approvals before the commencement of operation, according to the relevant PRC laws and regulations. It normally takes us around two months to obtain the Fire Safety Inspection Approval for each opening of our new restaurants, which might be prolonged due to the rapid development and fluidity of the COVID-19 pandemic situation. As such, applying for Fire Safety Inspection Approvals may slow down our expansion plan. There can be no assurance that we will always be able to obtain the Fire Safety Inspection Approval on time. If we fail to obtain the essential Fire Safety Inspection Approvals required for our new restaurants, we may be subject to the failure to open new restaurants on time, which could materially and adversely affect our results of operations and slow down our expansion plan.

Any failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds may subject us to fines and other legal or administrative sanctions.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Administrative Regulations on the Housing Provident Fund of the PRC (《住房公積金管理條例》), we are required to make contributions to social insurance and housing provident funds for our employees. We have in the past failed to make full contribution to the social insurance and housing provident funds. For details, see "Business – Licenses and Compliance with Laws and Regulations – Social Insurance and Housing Provident Fund Contributions". We made provisions of RMB4.5 million, RMB3.4 million, RMB10.6 million and RMB9.5 million for the social insurance and housing provident fund contribution shortfall in 2019, 2020, 2021 and 2022, respectively. As advised by our PRC Legal Advisor, according to relevant PRC laws and regulations, we may be requested by relevant PRC authorities to pay the outstanding social insurance contribution within a prescribed period and pay an overdue charge equal to 0.05% of the outstanding amount for each day of delay. If we fail to pay the outstanding social insurance contributions within the prescribed period, we may be liable to a fine of one to three times the amount of the overdue payment.

In addition, during the Track Record Period, we engaged third-party human resources agencies to make contributions to social insurance premium and housing provident funds for certain of our employees. If the local governments determine the use of third-party agencies to pay social insurance and housing provident funds to be non-compliant or such human resource agencies fail to make such contributions for and on behalf of our employees as required by applicable PRC laws and regulations, we may be required by the relevant PRC authorities to make contributions to social insurance premium and housing provident funds by ourselves or pay outstanding amount and late fees within a prescribed period, and if we fail to rectify according to the relevant PRC authorities' request, the relevant PRC authorities may impose fines on us. This in turn may adversely affect our financial condition and results of operations.

As the laws and policies related to social insurance and housing provident fund may continue to evolve, we cannot assure you that our employment policies and practices will always be regarded as fully complying with the relevant laws and regulations in China, and we may face labor disputes or government investigations. The PRC government may strengthen its measures and requirements on social insurance and housing provident fund collection, which may lead to stricter law enforcement. Compliance with stricter regulatory requirements may increase our operating expenses, especially our staff costs. We cannot guarantee that the amount of social insurance contributions we would be required to pay will not increase, nor that we would not be required to pay any shortfall or be subject to any penalties or fines, any of which may have a material and adverse effect on our business and results of operations.

We are exposed to credit risks arising from our trade receivables. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.

Our cash flows and profitability are subject to the timely settlement of payments by our customers. Our trade receivables primarily consisted of receivables due from third-party payment platforms such as Alipay and WeChat Pay, online delivery platforms and corporate customers. During the Track Record Period, we generally allow credit period of up to 90 days to our customers. A majority of our trade receivables were from payment platforms which are normally settled within 30 days. As of December 31, 2019, 2020, 2021 and 2022, our trade receivables were RMB42.5 million, RMB47.8 million, RMB48.8 million and RMB103.6 million, respectively. In 2019, 2020, 2021 and 2022, our trade receivables turnover days were 3.4, 5.2, 3.8 and 5.9 days, respectively. As of February 28, 2023, RMB73.9 million or 71.4% of our trade receivables outstanding as of December 31, 2022 had been collected.

If our customers 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 and financial condition.

We are exposed to changes in the fair value of financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income, and valuation uncertainties due to the use of unobservable inputs.

We recorded fair value change of financial assets at fair value through profit or loss of RMB7.3 million, RMB9.9 million, RMB23.4 million and RMB18.2 million in 2019, 2020, 2021 and 2022. The fair value of our financial assets are determined in accordance with generally accepted pricing models based on discounted cash flow analysis and market comparable approach. According to the accounting policies applicable to us, financial assets at fair value through profit or loss are measured at fair value primarily using discounted future cash flows. Future cash flows are estimated based on the expected returns on the underlying assets of the financial assets at fair value through profit or loss, which represent investment in wealth management products in China. The expected returns on the underlying assets may fluctuate due to changing market conditions, thereby affecting the fair value of our financial assets at fair value through profit or loss. Changes in fair value are recognized in profit or loss and such treatment of gain or loss may cause volatility in or adversely affect our period-to-period earnings, financial condition and results of operations.

Our equity instruments represent our equity interest in private entities established in China. According to the accounting policies applicable to us, financial assets at fair value through other comprehensive income ("FVTOCI") are measured at fair value primarily using comparable method. As of December 31, 2019, 2020, 2021 and 2022, we had equity instruments at FVTOCI of RMB4.5 million, RMB8.5 million, RMB5.8 million and RMB5.4 million, respectively. In 2019, 2020, 2021 and 2022, we recorded fair value (loss) gain on equity instruments at FVTOCI (net of related income tax) of RMB(0.7) million, RMB1.7

million, RMB(2.6) million and RMB(0.4) million, respectively. We employed price earnings ratios, discounted for lack of marketability, in determining the fair value of the equity instruments. The use of key unobservable inputs could cause our estimates to vary from actual results, which could materially and adversely affect our financial condition.

We may continue to recognize impairment loss recognized on property, plant and equipment, right-of-use assets, and goodwill.

In 2019, 2020, 2021 and 2022, we recorded impairment loss recognized on property, plant and equipment and right-of-use assets in the amount of RMB15.0 million, RMB33.3 million, RMB27.9 million and RMB32.3 million, respectively. In 2019, 2020, 2021 and 2022, we also recorded impairment loss on goodwill of nil, RMB0.4 million, RMB0.8 million and RMB0.3 million. In 2008 and 2009, we purchased restaurant operating assets from 32 restaurants owned and operated by self-employed owners who were not affiliated with us. The excess of the total consideration paid over the fair value of the identifiable net assets was recorded as goodwill. We did not purchase any restaurant operating assets during the Track Record Period. We may continue to recognize impairment losses for property, plant and equipment, right-of-use assets and goodwill in the future as we are actively expanding our restaurant network and the performance of certain restaurants may not meet our expectation. If we continue to recognize impairment losses for property, plant and equipment, right-of-use assets and goodwill, our financial condition and results of operations may be materially and adversely affected. In addition, as of December 31, 2019, 2020, 2021 and 2022, we had other intangible assets of RMB4.7 million, RMB12.0 million, RMB12.8 million and RMB11.0 million, respectively, the value of which are based on a number of assumptions made by our management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to write off of our other intangible assets, which could in turn adversely affect our financial position and results of operations.

We may recognize impairment loss on our prepayments and other receivables.

We recorded trade and other receivables and prepayments of RMB258.0 million, RMB250.8 million, RMB235.6 million and RMB328.8 million as of December 31, 2019, 2020, 2021 and 2022, respectively. During the Track Record Period, our other receivables and prepayments primarily consisted of (i) loan and interest receivables from the third parties which represented the advances made to independent third parties bearing interests ranging from 4.5% to 10.0% per annum for better cash management, (ii) VAT receivable which represented the input value-added taxes that have not been utilized by us, (iii) prepayments which primarily consisted of prepayments for property management fee and utilities fee for restaurant business, and (iv) deposits under current assets which mainly represented the deposits paid for leasehold improvement work, refundable deposit paid for acquisition of right-of-use assets and other miscellaneous deposits. We cannot assure you that there would not be any impairment charging on our prepayments or other receivables in the future. If we record impairment losses on such balances in the future, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to risk of recoverability of deferred tax assets.

As of December 31, 2019, 2020, 2021 and 2022, our deferred tax assets amounted to RMB12.8 million, RMB31.3 million, RMB41.4 million and RMB69.5 million, respectively. As deferred tax assets can only be recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized, management's judgment is required to assess the probability of available future taxable profits.

Future profits generated by existing restaurants may be offset by investment costs, such as upfront costs incurred in establishing new restaurants and subsidiaries for the management and operation of brands and restaurants, which will increase the uncertainty in the utilization of tax losses prior to their expiry. As of December 31, 2019, 2020, 2021 and 2022, we had unused tax losses of RMB21.5 million, RMB59.2 million, RMB112.5 million and RMB189.5 million, respectively, available for offset against future profits. Among which, a deferred tax asset has been recognized in respect of RMB3.9 million, RMB43.9 million, RMB72.8 million and RMB124.5 million of the unused tax losses, respectively, as of December 31, 2019, 2020, 2021 and 2022. No deferred tax asset has been recognized in respect of the remaining RMB17.6 million, RMB15.3 million, RMB39.8 million and RMB65.0 million of the unused tax losses, respectively, as of December 31, 2019, 2020, 2021 and 2022, due to the unpredictability of future profit streams. For more details, see Note 24 of the Accountants' Report in Appendix I to this document.

Any changes in management's judgment, as well as the future operating results of the relevant entities, would affect the carrying amounts of deferred tax assets to be recognized and the recoverability of deferred tax assets recognized in our consolidated financial statements, and therefore, our financial condition and results of operations could be materially and adversely affected in future.

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 mainly represent (i) prepaid cards issued by us which can be utilized in the future consumption in restaurants at customers' direction; and (ii) the estimated award credits which can be used in future purchases and consumptions in the restaurants arising from the customer loyalty scheme. We recorded contract liabilities of RMB28.0 million, RMB38.0 million, RMB55.9 million and RMB73.2 million as of December 31, 2019, 2020, 2021 and 2022, respectively. For further details, see "Financial Information – Discussion of Key Items of the Consolidated Statements of Financial Position – Contract Liabilities." If we fail to fulfill our obligations under our prepaid cards and award credits, we may not be able to recognize such contract liabilities as revenue, which may have a material and adverse impact on our business, reputation and liquidity position.

Any acquisitions, partnerships, or joint ventures that we made or will make may disrupt our business and harm our financial condition.

From time to time, we may evaluate potential strategic acquisitions of existing restaurant brands or complementary businesses as well as partnerships or joint ventures with third parties, to facilitate our growth, particularly our business expansion. We may not be successful in identifying acquisition, partnership and joint venture candidates. In addition, we may not be able to continue the operational success of any restaurants we acquire or successfully finance or integrate any businesses that we acquire or with which we form a partnership or joint venture. We may have potential write-offs of acquired assets and an impairment of any goodwill recorded as a result of acquisitions. Furthermore, the integration of any acquisition may divert management's time and resources from our core business and disrupt our operations or may result in conflicts with our business.

Any acquisition, partnership or joint venture may not be successful, may reduce our cash reserves, may negatively affect our earnings and financial performance and, to the extent financed with stock or the proceeds of debt, may be dilutive to our stockholders or increase our already high levels of indebtedness. We cannot ensure that any acquisition, partnership or joint venture we make will not have a material adverse effect on our business, financial condition and results of operations.

We have in the past and may in the future be subject to disputes, legal proceedings or arbitration claims in the ordinary course of our business, and the court ruling or arbitration award may not be favorable to us.

We are subject to a variety of litigation risks, including, but not limited to, customer claims, personal-injury claims, environmental claims, employee allegations of improper termination, land and property rights disputes. Such claims may increase our cost of operations and adversely affect our profitability, and may therefore limit the funds available to us for our business operations, which in turn could adversely affect our operating results and negative impact our brand image. In some instances, we may elect or be forced to pay substantial damages if we are unsuccessful in our efforts to defend against these claims, which could harm our business.

We may need additional capital, and our ability to obtain additional capital is subject to uncertainties. In addition, the fair value change of redeemable convertible preferred shares would affect our financial performance and result in valuation uncertainty.

We believe that our current cash and cash equivalents, anticipated cash flow from operations and the [**REDACTED**] from the [**REDACTED**] will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months. We may, however, 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. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing by selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations 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, including:

- investors' perception of, and demand for, securities of businesses in the catering industry;
- conditions of the Hong Kong and other capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- PRC governmental regulation of foreign investment in the catering industry in China;
- economic, political and other conditions in China; and
- PRC governmental policies relating to foreign currency borrowings.

In addition, in May 2020, we entered into a share purchase agreement with, among others, Sequoia Capital China Growth. We engaged an appraisal agency to determine the fair value of the redeemable convertible preferred shares issued in accordance with the agreement. For further details, see "History, Development and Corporate Structure – Sequoia Investment". The preferred shares may, at the option of the holder thereof, be converted at any time after the date of issuance of such shares, without the payment of any additional consideration, into fully-paid and non assessable ordinary shares based on the then-effective conversion price. As of December 31, 2019, 2020, 2021 and 2022, our redeemable convertible preferred shares amounted to nil, RMB314.4 million, RMB342.8 million and RMB370.0 million, respectively. In 2019, 2020, 2021 and 2022, the fair value change of our redeemable convertible preferred shares was nil, a loss of RMB14.4 million, a loss of RMB28.5 million and a loss of RMB27.2 million, respectively. The preferred shares were valued by an independent valuer not connected with our Group, which has appropriate qualifications and experiences in valuation of similar instruments. We used the discounted cash flow model to determine the underlying share value of our Company. We also use significant unobservable inputs, such as risk free rate, discount rate, weighed average discount for lack of marketability and volatility rates, in valuing the fair value of our redeemable convertible preferred shares. For further details, see Note 33 of the Accountants' Report in Appendix I to this document. The fair value change of our redeemable convertible preferred shares may affect our financial position and results of operations. We cannot assure you that future financing will be available in amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell debt or additional equity securities, reduce our growth to a level that can be supported by our cash flow or defer planned expenditures.

We may not be able to retain or secure key members of our core management team or other key personnel, the shortage of professional talents may adversely affect our business and expansion plans.

Our future success depends on the continued services and efforts of our core management team, including Ms. Li, the chairwoman of our Board and executive Director, Mr. Zhang, our executive Director, and Mr. Xu Longxiang, our executive Director. In addition to our core management team, our restaurant managers and cooks are also crucial to our operations. Losing the services of our core management team and key personnel with industry experience and know-how in areas such as restaurant operations, financial, accounting and risk management, could have a material and adverse effect on our ability to sustain and grow our business. We need to continue to attract, retain and motivate a sufficient number of qualified management and operating personnel to maintain consistency in the quality and atmosphere of our restaurants and meet our expansion plans.

Competition for experienced management and operating personnel in the restaurant industry is intense, and the pool of qualified candidates is limited. We may not be able to retain the services of our core management team and key personnel or attract and retain high-quality core management team or key personnel in the future. We invest significant amounts of time and effort to cultivate qualified restaurant managers, cooks and other key personnel. During the Track Record Period, substantially all of our restaurant managers were promoted internally within the organization from more junior ranking positions. 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, and our business may be disrupted and our results of operations may be materially and adversely affected. In addition, if any member of our core management team or any of our other key personnel joins a competitor or forms a competing business, we may lose business secrets and know-how as a result, which may have a material and adverse effect on our business and results of operations.

We engage human resource outsourcing service providers to provide services and personnel for our restaurant operations and we therefore have limited control over outsourced personnel.

We engage third-party human resource outsourcing service providers ("**Service Providers**") to provide services and personnel for our restaurant operations. During the Track Record Period, we entered into agreements with the Service Providers, but we did not have any direct labor contract relationship with the outsourced personnel, and therefore had limited control over the outsourced personnel. See "Business – Our Employees and Other Staff" for details. If any of the outsourced personnel fails to follow the instructions, policies and business guidelines formulated by Service Providers in accordance with our requirements, our market reputation, brand image and results of operation may be materially and adversely affected. Furthermore, if the Service Providers violate any applicable PRC labor laws and regulations or their employment agreements with the relevant personnel, those relevant personnel may file a claim against us because they render services in our restaurants and we may not be able to get full indemnity from the Service Providers or at all. Therefore, we may assume legal liability and economic losses, and our market reputation, brand image and businesses, financial position and results of operation may be materially and adversely affected.

We may grant RSUs and other share-based compensation from time to time, which may materially impact our results of operations.

We have adopted the RSU Scheme in order to incentivize directors, senior management and employees for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company. On November 15, 2021, our Company allotted and issued ordinary shares to Regal Fair, an entity controlled by Ms. Li and Mr. Zhang. For details, see "History, Development and Corporate Structure – Incorporation and Major Shareholding Changes of Our Company". As a result, we recorded a significant amount of share-based compensation expenses for the year ended December 31, 2021, which are expected to negatively affect our net profit for the year. We may grant RSUs or other equity-based compensation to our employees from time to time following the completion of the [**REDACTED**]. When we do, we will be required by the applicable accounting rules to recognize, as an expense, the fair value of share-based compensation to employees based on the fair value of equity awards on the date of the grant, with the compensation expense recognized over the period in which the recipient is required to provide service in exchange for the equity award. If we grant any equity-based incentives later, we could incur significant compensation charges and our results of operations could be adversely affected.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

There have been reports in certain news publications about us and/or the [**REDACTED**], which may contain certain information about us and/or the [**REDACTED**], including projections and other forward-looking information. We wish to emphasize to potential [**REDACTED**] that we do not accept any responsibility for the accuracy or completeness of any media articles or reports as such articles or reports were not prepared or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections or other forward-looking information, or of any assumptions underlying such projections or other forward-looking information. To the extent that any such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim them. Potential [**REDACTED**] are cautioned to make their [**REDACTED**] decisions on the basis of the information contained in this document only and not to place any reliance on any other information.

Statistics contained in this document that are derived from official government sources have not been independently verificated and may not be reliable.

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

RISKS RELATING TO THE INDUSTRY

Our business may be adversely affected by reductions in discretionary customer spending as a result of downturns in the economy.

Our business may be adversely affected by reductions in discretionary customer spending as a result of downturns in the economy. We have observed that customer habits are particularly sensitive to the state of the economy. Factors such as the deterioration of the economy, decrease in disposable customer income, fear of a recession and changes in customer confidence, may affect customer preferences and spending. In the event of an economic downturn, customers will tend to become more budget conscious and sensitive to the amount they are willing to spend on food. As all of our businesses are concentrated in China, we are heavily dependent on the Chinese economy. If customer demand for our food is reduced or if there occurs any significant economic decline, and we are unable to divert our business to markets outside these regions, our revenue, profitability and business prospects will be materially affected.

Failure to comply with laws and regulations in relation to the catering industry may harm our business.

Our business is exposed to various risks of non-compliance with the laws and regulations relating to the catering industry. See "Regulatory Overview – Regulations Related to Food Safety and Licensing Requirement for Food Operation" for more details. In accordance with applicable laws and regulations, we may need to meet various requirements in relation to food hygiene and safety, and fire safety, to maintain various licenses, permits and approvals, including food operation license, and fire safety inspection approvals, or to carry out relevant filing procedures, in order to smoothly and lawfully operate our restaurant business. If we fail to obtain or to timely update any of the essential licenses, permits and approvals required for our restaurant operations, including but not limited to the foregoing, whether for new restaurants or not, we may be subject to penalties, confiscation of the gains from the relevant restaurants, temporary closures to the relevant restaurants, or failure to open new restaurants on time, which could materially and adversely affect our results of operations and slow our expansion plan. As of the Latest Practicable Date, some of our restaurants had not completed fire prevention acceptance filings that we are obliged to. According to applicable PRC laws and regulations, we may be ordered to complete the filing in due course and, our maximum penalty for not being able to complete the filings timely will be no more than RMB0.5 million, which includes a fine of no more than RMB5,000 for each restaurant which has not made such filing. See "Regulatory Overview – Regulations Related to Fire Prevention" for more details.

We may also experience adverse publicity arising from such non-compliance, which could negatively reduce our brand momentum. There can be no assurance that we will be able to obtain, renew and/or convert all of the required licenses, permits and approvals upon their expiration in a timely manner, or at all. Failure to do so will severely disrupt our ongoing business and subject us to penalties. In addition, our operations can be affected by various factors, including our compliance with laws and regulations relating to fire safety, food hygiene and environmental protection. Although we had not been subject to any material fines or other penalties in relation to any non-compliance during the Track Record Period, we cannot guarantee that they will not occur, and if the relevant authorities consider that we historically operated, or are operating without proper or adequate approvals, licenses or permits, or we fail to address them in a timely manner, or at all, we may suffer from fines, confiscation of the gains derived from the relevant restaurants or the suspension of their operations, and all of the foregoing would materially and adversely affect our business and results of operations.

Our operations may be negatively affected by industry-wide food safety-related concerns even if such concerns are no fault of our own or related to our business.

The catering industry in China as a whole is subject to concern over food safety and quality related issues. In particular, there have been numerous reports and negative publicity related to the safety and quality incidents in China's catering industry. While the reports and allegations are not targeted at us, the catering industry as a whole can be negatively impacted by these incidents and associated reports. Our prospects, business, results of operations and financial condition can be negatively impacted if the catering industry experiences slower growth from concerns over food safety.

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 third-party food suppliers and distributors increases the risk that food-borne illness incidents could be caused by third-party food suppliers and distributors outside of our control and the risk of multiple locations instead of a single restaurant being affected. Drug resistant illnesses may develop in the future, or diseases with long incubation periods could arise, such as mad-cow disease, that could give rise to claims or allegations on a retroactive basis. 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 hand, foot and mouth disease or avian influenza, could adversely affect the supply of some of our ingredients and significantly increase our costs and thereby impacting our restaurant sales, forcing the closure of some of our restaurants and conceivably having significant adverse effect on our results of operations.

We also face risks related to health epidemics. In addition to the risks to our business of COVID-19 discussed above, other past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in China. In April 2013, there were outbreaks of highly pathogenic avian flu, caused by the H7N9 virus, in certain parts of China. Since early 2013, there has been several reports of reoccurrences of H7N9 which caused several confirmed deaths. In June 2009, the World Health Organization declared the outbreak of H1N1 influenza to be a pandemic. An outbreak of any epidemics or pandemics in China, especially in the areas where we have restaurants, may result in quarantines, temporary closures of our restaurants, travel restrictions or the sickness or death of key personnel and our customers. Any of the above may cause material disruptions to our operations, which in turn may materially and adversely affect our financial condition and results of operations.

RISKS RELATING TO THE PRC

Changes in the economic and political environment in the PRC and the policies adopted by the PRC Government to regulate its economy may adversely affect the business, operating results and financial condition of us.

During the Track Record Period, all the restaurants we owned and operated were located in China. Most of our assets were located in China, and all of our revenue was derived from our business in China during the same period. The PRC economy differs from the economies of most developed countries in many respects, including but not limited to structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. Before the adoption of its reform and opening up policies in 1978, China was primarily a planned economy. In recent years, the PRC Government has been reforming the PRC economic system and government structure. It has implemented measures emphasizing the utilization of market forces, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. However, the PRC Government continues to play a significant role in regulating industrial development, allocation of natural and other resources, production, pricing and management of currency, and there can be no assurance that the PRC Government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly. The economic growth over the past few decades in China was rapid; however, its continued growth has faced downward pressure since 2008 and its annual GDP growth rate has declined from 9.5% in 2011 to 6.9% in 2017, according to the National Bureau of Statistics of China (中華人民共和國國家統計局). There is no assurance that the future growth will be sustained at similar rates or at all. The PRC Government's economic, political and social policies, including those related to our industry may materially and adversely affect our business, financial position, results of operations and prospects.

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

In accordance with PRC laws and regulations, we are required to maintain various approvals, licenses, permits and filings in order to operate our restaurant business in the PRC, including the 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.

If the relevant authorities consider that we historically operated, or are operating without proper or adequate approvals, licenses or permits, or cannot successfully renew these licenses in a timely manner, especially when we open new restaurants, or new laws and regulations are promulgated that require us to obtain additional approvals or licenses, impose additional restrictions on any part of our operations, the relevant authorities have the power, among other things, to order timely rectification, which we may not be able to make on time, impose fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business.

Complying with government regulations may require substantial expense, and any non-compliance may expose us to liability. In case of any non-compliance, 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 non-compliance with government regulations that negatively impacts our brand.

The approval of, or filing with, CSRC or other regulatory authorities may be required in connection with the [REDACTED] and future offering activities, and, if required, we cannot predict whether we will be able to obtain such approval or complete such filing.

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》) (the "Overseas Listing Trial Measures") and relevant five guidelines, which became effective on March 31, 2023. The Overseas Listing Trial Measures will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities and will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. Pursuant to the Overseas Listing Trial Measures, where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer who has completed overseas offering and listing.

Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas offering and listing is explicitly prohibited, if any of the following: (i) such securities offering and listing is explicitly prohibited by provisions in law, administrative regulations and relevant state rules; (ii) the intended overseas securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or have undermined 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 investigation 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 if the issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (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 is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their habitual residence located in mainland China.

On the same day, the CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarifies that companies that satisfy all of the following conditions shall be deemed as "Existing Applicants" (存量企業) and are not required to complete the overseas listing filing immediately, but shall complete filings as required if they conduct refinancing or are involved in other circumstances that require filing with the CSRC: (i) the application for overseas offering or listing shall have been approved by the relevant overseas regulatory authority or stock exchange (such as passing the hearing for the listing application of its shares on the Stock Exchange) prior to March 31, 2023, (ii) the company is not required to reapply for offering and listing procedures to the overseas regulatory authority or securities exchanges (such as a new hearing for the listing application of its shares on the Stock Exchange) after March 31, 2023, and (iii) such overseas securities offering or listing shall be completed on or prior to September 30, 2023. Based on the foregoing, if we are not deemed as an Existing Applicant, we will be required to complete the filing procedures with the CSRC in connection with the [**REDACTED**].

Our PRC Legal Advisor is of the view that we will not be required to complete the filing procedures with the CSRC for the [**REDACTED**], if we are not required to go through the [**REDACTED**] procedures with Hong Kong Stock Exchange and we can complete the [**REDACTED**] on or before September 30, 2023. However, based on the foregoing, if we are required to go through the [**REDACTED**] procedure with Hong Kong Stock Exchange or if we are not required to go through the [**REDACTED**] procedure with Hong Kong Stock Exchange but fail to complete the [**REDACTED**] on or before September 30, 2023, we will be required to complete the filing procedures with the CSRC in connection with the [**REDACTED**]. We cannot assure you that we could meet such requirements or complete such filing in a timely manner. Any failure may restrict our ability to complete the [**REDACTED**] or any future equity capital raising activities, which would have a material adverse effect on our business and financial positions. Further, as the Overseas Listing Trial Measures was recently promulgated, there remain substantial uncertainties as to its interpretation and how it may impact our ability to raise or utilize fund and conduct business operation.

We may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to a 25% PRC enterprise income tax.

We are a company incorporated under the laws of Cayman Islands. The EIT Law provides that enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises". A China resident enterprise is generally subject to certain Chinese tax reporting obligations and a uniform 25% enterprise income tax rate on its worldwide income. "De facto management body" is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009 and July 2011, SAT issued several circulars to clarify certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises, however, no official implementation rules have been issued regarding the determination of the "de facto management body" for foreign enterprises that are not controlled by PRC enterprises. Thus, it is unclear how PRC tax authorities will treat our case. Being regarded as a PRC resident enterprise may materially and adversely affect our profit and hence our retained profit available for distribution to our Shareholders.

Government control of currency and future movements in exchange rates may adversely affect our ability to remit dividends, financial condition, and results of operations.

The Renminbi is not currently a freely convertible currency, as the PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and in certain cases, the remittance of currency out of China. All of our revenue is denominated in Renminbi and we need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares, and to fund our business activities outside China. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Since 2015, in response to China's declining foreign currency reserves, the PRC Government has placed increasingly stringent restrictions on the convertibility of the Renminbi into foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China. Any existing and future restrictions on currency exchange may limit our ability to operate our overseas restaurants or otherwise fund any future business activities that are conducted in foreign currencies.

The PRC legal system is not fully developed and has inherent uncertainties that could limit the legal protections available to us.

Our business and operations are conducted in the PRC and are governed by PRC laws and regulations. In addition, our offshore holding companies and certain transactions between them may be subject to various PRC laws and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have limited weight as precedents.

Since the late 1970s, the PRC Government has significantly enhanced the PRC legislation and regulations to provide protection to various forms of foreign investments in the PRC. However, recently-enacted laws and regulations may not sufficiently cover all aspects of economic activity in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published court decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until sometime after the violation. Furthermore, the legal protection available to us and our investors under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and the diversion of resources and management attention.

Fluctuations in exchange rates of the Renminbi could result in foreign currency exchange losses.

The exchange rate of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC Government and changes in China's and international political and economic conditions, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policies goals.

There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a significant appreciation of Renminbi against the U.S. dollar, the Hong Kong dollar or other foreign currencies.

The [**REDACTED**] from the [**REDACTED**] will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our [**REDACTED**] from the [**REDACTED**]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

More stringent restrictions on the remittance of Renminbi into and out of the PRC and governmental control over currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your [REDACTED].

The Renminbi is not currently a freely convertible currency, as the PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and in certain cases, the remittance of currency out of China. All of our revenue is denominated in Renminbi and will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares, and to fund our business activities outside China. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Since 2015, in response to China's declining foreign currency reserves, the PRC Government has placed increasingly stringent restrictions on the convertibility of the Renminbi into foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China. Any existing and future restrictions on currency exchange may limit our ability to fund any future business activities that are conducted in foreign currencies.

Dividends payable by us to our foreign [REDACTED] and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

Under the EIT Law, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are "non-resident enterprises", which do not have an establishment or place of business in China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China.

Under PRC Individual Income Tax law and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under the risk factor headed "– We may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to a 25% PRC enterprise income tax" dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within China and as a result be subject to the PRC income taxes described above. Administrative Measures for Non-resident Taxpayers to Enjoy Treaty Benefits (《非居民納稅

人享受協定待遇管理辦法》) (the "Circular 35") was issued on October 14, 2019. According to the Circular 35, the preferential tax rate does not automatically apply. With respect to dividends, the "beneficial owner" tests under the Announcement of the State Administration of Taxation on Issues Concerning "Beneficial Owners" in 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") will also apply. If determined to be ineligible for the foregoing tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would subject to higher PRC tax rates. In such cases, the value of your [**REDACTED**] in our Shares may be materially and adversely affected.

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 and adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands and operate our core businesses through our operating subsidiaries in China. 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 the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRSs. The PRC laws and regulations also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

You may experience difficulty in effecting service of legal process, enforcing foreign judgments, or bringing original actions in China or Hong Kong based on foreign laws against us, our Directors, and senior management.

We are incorporated in the Cayman Islands, but substantially all of our assets and operations are located in China. In addition, a majority of our Directors and senior management personnel reside within China, and substantially all of their assets are located within China. Therefore, it may not be possible for [**REDACTED**] to effect service of process upon us or those persons inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China entered into 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 Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管

轄的民商事案件判決的安排)》 (the "Arrangement"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. In addition, Hong Kong has not entered into multilateral convention or bilateral treaty regarding recognition and enforcement of judgments made by courts of many other jurisdictions. Hong Kong courts are also subject to certain limiting concerns when being used as an avenue for aggrieved investors, including enforcement of a Hong Kong judgement against the overseas assets, operations and/or directors and enforcement of an overseas judgement in Hong Kong courts. As a result, it may be difficult or impossible for investors to effect service of process, enforce foreign judgements, or bring original actions against our assets or Directors in China or Hong Kong in order to seek recognition and enforcement of foreign judgments in China.

PRC regulations relating to the establishment of offshore special purpose vehicles by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.

The SAFE promulgated SAFE Circular 37 on July 4, 2014 to replace the Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Administration for Financing and Return Investments by Domestic Residents through Special-Purpose Overseas Companies (《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)》 (the "Circular 75"). According to SAFE Circular 37, PRC residents (including PRC citizens and PRC enterprises) shall apply to the SAFE or its local bureau to register foreign exchange for overseas investments before contributing to special purpose vehicles (the "SPVs") with legitimate domestic and overseas assets or rights and interests. In the event of any alteration in the basic information of the registered SPVs, such as the change of a PRC citizen shareholder, name and operating duration; or in the event of any alternation in key information, such as increases or decreases in the share capital held by PRC citizens, or equity transfers, swaps, consolidations, or splits, the registered PRC residents shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus.

We may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of the SAFE Circular 37. We were previously fined by SAFE due to our failure to complete proper SAFE filing and registration in accordance with SAFE Circular 37.

In 2016 and 2017, CSC Chongqing remitted profits amounting to US$8.9 million in aggregate to CSC Hong Kong. However, the Ultimate Actual Controller of CSC Chongqing (Ms. Li and Mr. Zhang) failed to complete proper SAFE filing and registration for their direct and indirect investment in our Company and the share transfer in CSC Cayman from Ms. Li and Mr. Zhang to our Company in the privatization before remitting the profits. Upon receiving the notice from SAFE Chongqing Branch, Ms. Li, Mr. Zhang and CSC Chongqing made full disclosures to SAFE Chongqing Branch, paid the administrative fine of approximately RMB3.0 million and took rectification measures in a timely manner. The incident was properly solved before the Track Record Period. In November 2021, our PRC Legal Advisor interviewed with the responsible official of Department of International Receipt and Payment of SAFE Chongqing Branch, who is competent and has the authority to provide confirmation and explanation with respect to the foreign exchange matters of CSC Chongqing. The official confirmed that as long as CSC Chongqing and the Ultimate Actual Controller rectified the previous non-compliance, the remittance of profit and other foreign exchange matters by CSC Chongqing going forward will not be affected by this incident. Also, according to the information on the Foreign Exchange Digital Administration Platform of SAFE (國家外匯管理局數字外管平台) in December 2021, Ms. Li and Mr. Zhang have completed the required registration. The incident has been properly solved and would not have any further impact on our business operation. However, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals had complied, or will at all times comply with the SAFE Circular 37 or other related regulations. Failure by any such beneficiaries to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries.

Any loans provided by us to our PRC subsidiaries are subject to PRC regulations and such loans must be registered with the local branch of SAFE. Additionally, our capital contributions must be filed with or approved by the MOFCOM or its local counterpart and registered with the SAIC or its local branch. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete filing and registration procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to obtain such approvals or registrations, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be materially and adversely affected. This may materially and adversely affect our PRC subsidiaries' liquidity, their ability to fund their working capital and expansion projects, and their ability to meet their obligations and commitments. As a result, this may have a material and adverse effect on our business, financial conditions and results of operations.

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

A number of PRC laws and regulations have established procedures and requirements that could make merger and acquisition activities in China by foreign investors more time consuming and complex. In addition to the Anti-Monopoly Law itself, these include the M&A Rules and the Rules of MOFCOM on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the Security Review Rules, promulgated in 2011. These laws and regulations impose requirements in some instances that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In addition, the Anti-Monopoly Law requires that the relevant government authority in charge of anti-monopoly administration be notified in advance of any concentration of undertaking if certain thresholds are triggered. Moreover, the Security Review Rules specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by MOFCOM, and prohibit any attempt to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including approval from MOFCOM and SAMR, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Our current employment practices may be adversely impacted under the Labor Contract Law.

The Labor Contract Law provides stronger protection for employees and imposes more obligations on employers compared to previous labor laws. According to the Labor Contract Law, employers have the obligation to enter into written labor contracts with employees to specify the key terms of the employment relationship. The law also stipulates, among other things, (i) that all written labor contracts shall contain certain requisite terms; (ii) that the length of trial employment periods must be in proportion to the terms of the relevant labor contracts, which in any event shall be no longer than six months; (iii) that in certain circumstances, a labor contract shall be deemed to be without a fixed term and thus an employee can only be terminated with cause; and (iv) that there shall be certain restrictions on the circumstances under which employers may terminate labor contracts as well as the economic compensations to employees upon termination of the employee's employment. In addition, in the event we decide to significantly change or downsize our workforce, the Labor Contract Law could restrict our ability to terminate employee contracts and adversely affect our ability to make such changes to our workforce in a manner that is most favorable to our business or in a timely and cost effective manner, which in turn may materially and adversely affect our financial condition and results of operations. We cannot assure you that our employment practices do not, or will not, violate the Labor Contract Law. If we are subject to severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

Inflation in the PRC could materially and adversely affect our profitability and growth.

While the PRC economy as a whole has experienced rapid growth, such growth has become uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth may lead to growth in the money supply and accordingly inflation. If the amounts we charge our customers in our PRC restaurants go up at a rate that is insufficient to compensate for the rise in our costs, our business may be materially and adversely affected.

RISKS RELATING TO THE [REDACTED]

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence coverage of us, the trading price for our common stock would be negatively impacted. If we obtain securities or industry analyst coverage and if one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if our operating results do not meet the expectations of the investor community, or one or more of the analysts who cover us downgrade our stock, our stock price could decline. As a result, you may not be able to sell shares of our common stock at prices equal to or greater than the [**REDACTED**] price.

Our common stock market price and trading volume may be volatile, which could result in rapid and substantial losses for our stockholders, and you may lose all or part of your [REDACTED].

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

- variations of our results of operations (including variations arising from foreign exchange rate fluctuations);

- loss of significant customers;

- changes in securities analysts' estimates of our financial performance;
- announcement by us of significant acquisitions, greenfield developments, strategic alliance or joint ventures;
- addition or departure of key personnel;
- fluctuations in stock market price and volume;
- involvement in litigation; and
- general economic and stock market conditions.

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

Future offerings of debt or equity securities by us may adversely affect our common stock market price.

In the future, we may attempt to obtain financing or to further increase our capital resources by issuing additional shares of our common stock or by offering debt or other equity securities, including senior or subordinated notes, debt securities convertible into equity or shares of preferred stock. Opening new company-operated restaurants in existing and new markets could require substantial additional capital in excess of cash from operations. We would expect to finance the capital required for new company-operated restaurants through a combination of additional issuances of equity, corporate indebtedness, leases and cash from operations.

Issuing additional shares of our common stock or other equity securities or securities convertible into equity may dilute the economic and voting rights of our existing stockholders or reduce the market price of our common stock or both. Upon liquidation, holders of such debt securities and preferred shares, if issued, and lenders with respect to other borrowings would receive a distribution of our available assets prior to the holders of our common stock. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred shares, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing, or nature of our future offerings. Thus, holders of our common stock bear the risk that our future offerings may reduce the market price of our common stock and dilute their stockholdings in us. See "Share Capital".