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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Awareness, recognition and popularity of our brand, whether in our existing markets or new markets, are pivotal to the success of our business. Any negative impacts on our brand or reputation, or failure to effectively promote our brand, could adversely affect our business and results of operations.

We have successfully established our key brand "Guoquan Shihui (鍋圈食匯)," which we believe has significantly contributed to our success. To retain and expand the consumer base for our products, it is pivotal to maintain and enhance the awareness, recognition and popularity of our brand, which incentivizes consumers to continue purchasing our products, and in turn facilitates us to maintain business and market position. The factors that are crucial for us to maintain and enhance the awareness, recognition and popularity of our brand include, but not limited to, the following:

- maintaining the desirable tastes of our products, our great value-for-money, and our diversified product portfolio and solutions;
- increasing brand awareness through marketing and brand promotion activities;
- maintaining stable relationships with our franchisees and suppliers;
- ensuring compliance of our employees and franchisees with relevant laws and regulations; and
- competing effectively against existing and future competitors.

As we continue to expand business scale, extend our geographic reach and expand our product offerings, it may become difficult for us to achieve the above factors. Furthermore, any negative publicity on our products, such as liability claims, litigation, consumer complaints, negative reviews on our products regardless of the validity, could impose negative impacts on our reputation and brand image. If we fail to sustain the awareness, recognition and popularity of our brand in our existing markets, or if we fail to effectively promote our brand and establish such awareness, recognition and popularity in new markets, our business, financial condition and results of operations may be materially and adversely affected.

Our business is affected by changes in consumer tastes and dining preference, which we may not be able to anticipate and identify in a timely manner or at all. Our efforts in developing, launching and promoting new products, and diversifying our product and brand portfolio may not be successful, which may expose us to the risks of extra costs and expenses.

Our success is dependent on our ability to anticipate, identify, interpret and react to consumer tastes and dining preference. To better cater to consumers' evolving preference, we are committed to providing products with appealing tastes and launching new products from time to time to adapt to shifts in consumer tastes.

To launch new products and improve existing products from time to time, we are continuously conducting market research, involving parties across the value chain of our business to observe the changing trends in the markets, so that we are able to promptly respond to the constant changes in market trends, consumer tastes and preferences to design and develop relevant pipeline products. In addition, we expect to further invest in the businesses of the upstream of our value chain and launch new brands, thus diversifying our brand portfolio. While we have in the past successfully developed and launched new products and brand with wide market acceptance, we cannot assure you that we will be successful in introducing new products and brands and diversifying our product and brand portfolio with tastes appealing to consumers in the future. We may expend substantial resources developing new products and brands that may not achieve expected success, which may incur extra costs and expenses and in turn adversely impact our business and results of operations.

In addition, as consumer tastes and dining preference is constantly changing, which is difficult to anticipate, we cannot assure you that we are able to anticipate, identify, interpret and react to such changes in a timely manner or at all. Therefore, we cannot assure you that our products will remain preferred by our consumers. If we fail to launch new products that are widely accepted by our consumers, or if our competitors are able to react to the changes in consumer tastes and dining preference more effectively, we may experience reduced consumer demand, and our business, financial condition and results of operations may be materially and adversely affected.

Any failure by us, our franchisees or our suppliers to maintain effective quality control systems of our products could have a material adverse effect on our brand reputation, business and operations.

Our success essentially depends on the quality of our products. 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 and our franchisees adhere to those quality control policies and guidelines. Our quality control systems primarily cover (i) procurement and supplier, (ii) logistics and storage, and (iii) stores. See "Business — Food Safety and Quality Control." In addition, as we procure a substantial amount of products from our suppliers, the quality of our products also is affected by our suppliers' ability to maintain effective quality control systems. We cannot assure you that our quality control systems or those of our suppliers will remain effective. Any significant failure or deterioration of our quality control systems could have a material adverse effect on our brand reputation, business, financial condition and results of operations.

Our extensive store network primarily comprises franchised stores that are operated by franchisees. Our results of operations are largely subject to the performance of the franchised stores. We cannot control and may not be able to effectively monitor the operations of these stores or maintain our current relationship with the franchisees.

As of December 31, 2022, our franchised stores accounted for 99.9% of our total stores. We primarily derive revenue from selling products to our franchisees, which is directly driven by their in-store sales. During the Track Record Period, sales of home meal products to our franchised stores increased by 28.1% from RMB2,910.1 million in 2020 to RMB3,727.9 million in 2021, and further increased by 73.7% to RMB6,476.7 million in 2022, accounting for 98.2%, 94.2% and 90.3% of our total revenue, respectively. Therefore, our results of operations are significantly subject to the performance of these franchised stores, which in turn, reflects the marketing ability and management skills of our franchisees. Poor performing stores, if the total number of which is significant, will materially and adversely affect our revenue and profitability. Our franchisees independently manage their businesses, and are responsible for the daily operation of their own retail stores. We also rely on franchisees to implement our strategic initiatives and marketing programs. Therefore, the success and quality of the franchised stores are ultimately dependent on the franchisees themselves.

Although we have developed a robust franchise management system to train our franchisees and their employees, and supervise and manage our franchised stores, we may not be able to monitor and manage their operations as directly and effectively as our own self-operated stores. To maintain the standard and consistent quality of our products as well as consumers' purchasing experience, we provide operational guidelines on key aspects of store operations, which range from frontline store-level staff training, store layout, product display, inventory management to pricing requirement, so as to maintain our uniform brand image across our stores. However, our franchisees may deviate from our guidelines without our consent, which may jeopardize our brand positioning and image. Our franchisees may also breach other provisions of the franchise agreements with us or otherwise engage in illegal actions or misconducts. In addition, although we provide operational support services to support their store operation, we cannot assure you that with these supports our franchisees will be able to successfully operate franchised stores. Neither can we assure you that we will maintain the growth of revenue from our franchised stores. If our franchisees fail to successfully and effectively operate franchised stores, or if our franchisees do not satisfactorily fulfill their responsibilities and commitments, our franchised stores may experience sales declines and our brand image may be negatively impacted, which may consequently result in our failure to maintain and increase our revenue and profitability. Under such occasions, our business and results of operations would be adversely affected.

Our revenue growth in the past was largely attributable to the rapid expansion of our store network. We cannot assure you that we will maintain our store network or successfully implement our expansion plan in the future.

Our rapid growth is largely attributable to our extensive store network which has been a critical factor in driving our business growth and strong results. Accordingly, our success is dependent on maintaining relationships with franchisees and attracting new franchisees to join our store network. During the Track Record Period, the number of our stores increased from 4,300 as of December 31, 2020 to 6,868 as of December 31, 2021 and further to 9,221 as of December 31, 2022, representing a CAGR of 46.4%. In 2020, 2021 and 2022, the number of closed franchised stores was 28, 194, and 279, accounting for 0.7%, 2.8% and 3.0% of the total franchised stores as of December 31, 2020, 2021 and 2022, respectively. Although we only experienced an insignificant number of franchised store closures during the Track Record Period, we may not be able to maintain our relationships with franchisees due to various factors, some of which are beyond our control. For example, if our existing products or new products are unable to achieve popularity among consumers as expected, our franchised stores may experience sales declines, which may render franchisees unable to generate investment returns as they expected. As a result, our franchisees may terminate their agreement with us or choose not to renew such agreement with us, resulting in the closes of franchised stores. In addition, we may not be able to further attract new franchisees and open new franchised stores, which will adversely affect our future business growth. The occurrence of any of the above could have adverse impacts on our expansion plans, business prospects, financial condition and results of operations.

To further increase our market share, we expect to continue to expand our geographic coverage and deepen our market penetration. To this end, we intend to engage more quality franchisees and encourage existing franchisees to open more stores, to increase the number of our franchised stores. However, we cannot assure you that we will be able to successfully contract new franchisees or open new franchised stores as scheduled. We may not be able to contract franchisees with industry experience and managerial skills, to educate and train the franchisees and their staff, or to identify attractive locations for new stores. Franchisees may also decide to cease the business relationship with us if they find our services and support unattractive. Furthermore, if we are unable to properly plan our store network expansion, an increasing number of retail stores in one certain region may cause cannibalization and unhealthy competition. Geographical location is of significant importance to the operation of our stores. We cannot assure you that the current location of our stores will remain attractive when there are changes in surrounding environment or local economic conditions. Surrounding geographic and economic conditions may cause the location of our stores to be unsatisfactory, which may further lead to a decrease in their sales volume.

Our development strategies may not achieve the expected goals in the near term, or at all.

To adapt into the competitive industry and maintain our leading market position, we plan to further expand our store network, build long-term relationships with our franchisees, diversify our product offering, enhance our supply chain capabilities, and further strengthen our digital capacity. However, we cannot assure you that we will be able to execute our strategies successfully and achieve the expected goals as planned in the near term or at all. For example, while we continue to expand our geographic coverage and deepen our market penetration, we may not be able to engage quality franchisees or encourage existing franchisees to open more stores. In addition, new products that we are going to introduce, may fail to achieve popularity and market acceptance. Furthermore, our initiative to establish home meal products processing centers to offer customized Chinese food products may not achieve the expected outcome. To further enhance our supply chain capabilities, we have invested and plan to continue investing in strategic acquisitions of the businesses in the upstream of our value chain, which we believe are supplementary to our existing operations. We cannot assure you that these acquisitions would be successful. See "— We may make acquisitions, establish joint ventures and conduct other strategic investments, which may not be successful."

In addition, our robust operation and rapid expansion has been fueled by our information technology. To support our business expansion, we plan to further strengthen our digital capacity and improve our inventory management system, store operational management system, membership system and business, finance and supply chain management systems. See "Business — Our Strategies." However, such initiatives to iterate information technology and relevant digital technology infrastructure may not be able to facilitate the improvement of our operational efficiency or business growth as expected. All these efforts require significant managerial, financial, and human resources, which may not be proportional to the achievement or at all. We cannot assure you that we will be able to effectively manage our growth or to implement all these measures successfully or that our new business initiatives will be successful. If we are not able to manage our growth or execute our strategies effectively, our expansion may not be successful, and our business and prospects may be materially and adversely affected.

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

The industry we operate in is intensely competitive with respect to, among other things, brand recognition, consistent food quality, services, prices and store locations. Our competitors come from a variety of geographic markets, including domestic and international home meal solution products providers. Furthermore, new competitors may emerge from time to time, which may further intensify the competition. In particular, market players initially in other food sectors may start to offer products or brands that resemble our concepts and target consumers, imposing direct competition against us. There are also many well-established competitors with substantially greater financial, marketing, personnel and other resources than ours, and several of our competitors are well established in certain regional markets where we currently have stores or intend to open stores.

Our ability to effectively compete will depend on various factors, including the successful implementation of our store network expansion strategy, and our ability to continuously source high-quality food ingredients and raw materials, to expand product portfolio, and to enhance our operational efficiency. Failure to successfully compete may prevent us from increasing or sustaining our revenue and profitability and potentially lead to a loss of market share, which could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

If our suppliers do not deliver quality food ingredients and raw materials at competitive prices or in a timely manner due to deteriorated relationships with us or insufficient production capacity, we may experience supply shortages and increased procurement costs.

It is crucial for our business to source quality food ingredients at competitive prices in a timely manner. Our ability to maintain consistent quality of food and maintain our product offerings across our stores depends in part upon our ability to acquire quality food ingredients from reliable sources that meet our quality specifications in sufficient quantities. Purchases from our top five largest suppliers in each of 2020, 2021 and 2022 amounted to RMB788.8 million, RMB812.8 million and RMB1,311.7 million, respectively, and accounted for 24.6%, 22.0% and 20.7% of our total purchases in the respective periods. There can be no assurance that we will be able to maintain business relationships with our key suppliers.

The availability (in terms of type, variety and quality) and price of food ingredients may fluctuate and be volatile, which are subject to factors beyond our control, including seasonal fluctuations, climate conditions, natural disasters, general economic conditions, global demand, government policies and regulations including tariffs, and exchange rate fluctuations. For example, the average wholesale price of beef increased from RMB53.8 per kg in 2017 to RMB77.6 per kg in 2022; the average wholesale price of lamb increased from RMB47.5 per kg in 2017 to RMB73.6 per kg in 2021, and slightly decreased to RMB68.6 per kg in 2022; and the average wholesale price of pork increased from RMB21.2 per kg in 2017 to RMB44.9 per kg in 2020, and decreased to RMB25.8 per kg in 2022. See "Industry Overview — China's Home Meal Solution Market — Raw Material Price of Home Meal Solutions." Our suppliers may also be affected by higher costs to produce the goods supplied to us, rising labor costs and other expenses that they pass through to their customers, which could result in higher costs for goods supplied to us. Although we typically stipulate a lock-up price for six months following the execution of the supply agreement, we may have to negotiate with the supplier over the procurement price after six months. Where our suppliers initiate the negotiation of procurement prices due to the aforementioned reasons, we cannot assure you that we will be able to maintain the procurement prices for food ingredients. Neither can we assure you that our current suppliers will always be able to meet our stringent quality control requirements in the future. In addition, the productivity of our suppliers may also be negatively affected by staffing shortages, unexpected mechanical failures, utility shortages or outage, fire, acts of God or other calamities at the production facilities of our suppliers, which would render our suppliers unable to maintain their supply at the same or similar level of product quality and quantity in the future. Moreover, we cannot assure you that we will maintain good and stable relationships with our suppliers. If any of our suppliers do not perform adequately or otherwise fail to distribute quality food ingredients to us in a timely manner due to deteriorated relationships with us or insufficient production capacity, we cannot assure you that we will be able to secure alternative suppliers on commercially acceptable terms in a timely manner, or at all. Any failure to do so could increase our food costs and could cause shortages of food ingredients, which will further lead to the shortages of our products and may cause us to replace certain food ingredients with others that may affect the tastes of our products. Any significant changes to the tastes of our products for a prolonged period could result in a significant reduction in revenue during the time affected by the shortage and could adversely affect our business and results of operations.

We may experience reduction in our production capacity due to force majeure events, mechanical failures, or utility shortages, which may have a material adverse impact on our business, financial condition and results of operations.

We own three production facilities in Henan Province, including (i) a beef processing plant acquired in August 2021, (ii) a meatball production plant acquired in August 2021, and (iii) a hotpot soup base production plant acquired in November 2022. Our production and operations depend on the optimized production flow and enhanced efficiency of our workforce, which are empowered by our machinery and equipment. Our production and operations also rely on a continuous and adequate supply of utilities, such as electricity, water and gas. If there are any unexpected mechanical failures, shortages of power, water, gas or other utilities, our production plants may have to be shut down. Any disruption in the supply of electricity, water, gas or other utilities at our production plants may disrupt our production. This may adversely affect our ability to fulfill our sales orders and consequently may have an adverse effect on our business, results of operations and financial condition.

In addition, our production process and operations are subject to various risks. Fire, earthquakes, natural disasters, pandemic or extreme weather, including droughts, floods, excessive cold or heat, typhoons or other storms, causing power outages, gas or water shortages, damage to our production and processing facilities or disruption of transportation channels, among other events, may significantly interfere with our operations. Any failure to take adequate steps to mitigate the potential impact of unforeseeable events, or to effectively respond to such events, may adversely affect our business, results of operations and financial condition.

We may not be able to maintain an active and expanding member base.

We believe our success is partially attributable to a large member base which is a result of our successful membership marketing and operation. To promote our brand and enhance consumer experience, we have launched our membership system. As of December 31, 2022, the number of our registered members reached approximately 20.4 million. We endeavor to deploy various marketing initiatives, online and offline, to reach a broad consumer base and encourage their purchases. We design customized membership privileges based on the multi-tier memberships to stimulate repeat purchases and increase member loyalty. However, our efforts to expand member base and to increase their engagement level may not always be successful. If our members find our membership privileges no longer attractive and become inactive, their purchases may decrease, which in turn, will materially and adversely affect business, results of operations and financial condition.

We may not be able to adequately manage our inventory, which could have a material adverse effect on our business, financial condition and results of operation.

Our raw materials and processed home meal products have limited shelf life. To maintain an optimal level of inventory, we are committed to digitalizing and automating our supply chain to improve our operational efficiency. Our ERP system allows us to monitor the supply and demand dynamics from procurement-end to store-end and our inventory level. However, our efforts may be affected by various factors that are beyond our control, including natural disasters, fluctuations in consumer traffic, and in the long run, changes in consumer tastes and dining preferences. As a result, we cannot assure you that our inventories can be fully utilized within their shelf life. As our business expands, if we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence and a decline in inventory values, which may have a material adverse effect on our business, financial condition and results of operations.

We rely on third-party warehousing and logistics providers to store and deliver our products to our stores, and risks associated with warehousing and logistics may adversely impact our reputation, business and financial performance.

We partner with third-party providers with integrated warehousing and logistics services to deliver our goods efficiently. To ensure the optimized quality and condition of our products, we have set standards for warehouses and cold-chain logistics. However, we cannot assure you that the third-party warehousing and logistics providers will always be able to satisfy our stringent quality control requirements. Any failure for us to properly supervise the storage and delivery of our products, observe proper hygiene, ensure cleanliness or meet other quality control requirements or standards in operations could adversely affect the product quality delivered to our franchised stores. A significant interruption impacting the third-party warehouses, whether as a result of a natural disaster, labor difficulties, fire or other causes, or any unexpected and adverse changes in the optimal storage conditions of our warehouse facilities, may expedite the deterioration of our products. Any risks associated with warehousing and logistics may adversely impact our reputation, business, financial condition and results of operations.

We cooperate with third-party food delivery platforms. The performance of, and our long-term relationships with, such platforms may affect our business, financial condition, and results of operations.

We cooperate with third-party food delivery platforms for the promotion and delivery of our products via online channels, which allows consumers to place orders online without physically visiting our stores. Interruptions or failures in the systems of such third-party food delivery platforms could affect consumers' shopping experience. If our products are not delivered on time and in proper condition, our consumers may refuse to accept and have less confidence in our products, in which case our business and reputation may be adversely affected. In addition, we cannot assure you that we will maintain long-term relationships with the third-party food delivery platforms. If our relationships terminate, deteriorate or become less cost-effective, our business, financial condition, and results of operations may be materially and adversely affected.

Any negative publicity or misconduct regarding our brand ambassador that promotes our products could adversely affect our business.

We partner with our brand ambassador to promote our brand and market our products through both online and offline media. However, we cannot assure you that our brand ambassador's endorsements or advertisements will remain effective and compatible with the messages that our brand and products aim to convey. Neither can we assure you that our brand ambassador will remain popular or any of the images of our brand ambassador will remain positive. Any of our brand ambassador's deterioration of image or misconduct or inappropriate speech, would have a significant impact on our brand images and subsequently the sales of our products. Where we need to replace our brand ambassador, we may not be able to find suitable candidates in a timely manner or at all. In addition, we may have to dispose relevant packaging materials, removing advertising and marketing materials, which may incur additional expenses. Furthermore, our marketing plans may be disrupted or fail as we may require more time to prepare new market materials and may therefore miss special events. If any of these situations occurs, our business, financial condition and results of operations could be materially and adversely affected.

We may incur significant costs in connection with our branding and marketing efforts, and our efforts in sales and marketing may not be effective as expected.

We aim to increase the sales of our products, achieve broader market acceptance, and maintain consumer loyalty, which to some extent will depend on the successful execution of effective sales and marketing strategy. Our selling and distribution expenses decreased from RMB629.4 million in 2021 to RMB624.6 million in 2022, and such expenses as a percentage of our revenue decreased from 15.9% in 2021 to 8.7% in 2022, as we enhanced our selling and distribution efficiency by improving and utilizing our digitalized management system. Going forward, we expect to continuously invest in brand promotion activities, further enhancing brand awareness among consumers. We plan to further broaden our customer reach by strategically place advertisements on both online and offline sales and marketing platforms. All of these initiatives may incur significant cost and expenses. However, we cannot assure you that we will achieve anticipated results from sales and marketing activities, nor can we assure you that we will effectively retain existing consumers or attract new consumers. If we are unable to hire, develop and retain qualified sales and marketing personnel, or if our new sales and marketing personnel are unable to achieve desired performance levels, we may not be able to execute our sales and marketing strategy or achieve our goals.

In addition, marketing trends and approaches in the consumer products market in China are evolving, which requires us to improve our marketing approaches and experiment with new marketing methods to keep pace with industry developments and consumer preferences. Failure to refine our marketing approaches or to adopt new, more cost-effective marketing techniques could negatively affect our business, growth prospects and results of operations.

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

Our business involves employees, franchisees, third-party suppliers and other service providers. If any of them commit illegal actions or misconduct, or if they fail to provide satisfactory products or services, our reputation and operation may be adversely affected. For example, our POS system and other digitalized systems may not be able to accurately process and reflect all orders and transactions in franchised stores, and our employees and franchisees may not fully follow our internal control measures and policies. In addition, the failure of our raw material suppliers to ensure product quality or to comply with food safety or other laws and regulations and contamination during the delivery to us or software and internet disruptions to our third-party service providers could interrupt our operations and result in claims against us, and any delay in delivery of our products, damage to our products during the course of delivery and inappropriate actions taken by delivery riders of the delivery service providers might cause consumer complaints.

In the event that we become subject to claims caused by actions taken or unsatisfactory performance by our employees, franchisees, third-party suppliers, service providers or other business partners, we may seek compensation from the relevant parties. However, such compensation may be inadequate to cover our actual losses. If no claim can be asserted against the relevant parties, or amounts that we claim cannot be fully recovered from such parties, 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.

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

We are required to obtain and maintain miscellaneous approvals, licenses, and permits to operate our business, pursuant to the PRC laws and regulations, which mainly include Food Business License and archival filing of Commercial Franchising. See "Business — Licenses, Approvals and Permits." These approvals, licenses and permits are achieved upon satisfactory compliance with, amongst other things, the applicable food hygiene and safety, environmental protection and fire safety laws and regulations. Most of these licenses are subject to examinations or verifications by relevant authorities and some are valid only for a fixed period of time subject to renewal and accreditation. We may be subject to penalties and regulatory actions if we fail to obtain or renew such approvals, licenses and permits, which may have adverse effect on our business, financial position and results of operations.

In addition, our franchisees are also required to obtain and maintain relevant approvals, licenses and permits relating to food operation. Although pursuant to our franchise arrangements, our franchisees are responsible for obtaining and maintaining requisite license and permits for their franchised stores, any non-compliance may cause a temporarily close to the relevant retail store until it satisfies all legal and regulatory requirements, which may in turn adversely affect the business operations, and they may be subject to penalties and regulatory actions in the case where they fail to obtain or renew such approvals, licenses and permits, which may have a negative impact on our reputation and brand image and ultimately our business, financial position and results of operations. As of the Latest Practicable Date, a portion of our franchised stores were unable to provide valid proof of compliance with laws and regulations relating to food operation, which may result in fines and penalties on our franchisees. While we have internal controls in place to require our franchisees to obtain all necessary approvals, licenses and permits before commencing operations, we cannot ensure that all franchisees complete corrective actions and obtain relevant certifications in a timely manner. Such failure of our franchised stores to provide valid proof of compliance will not subject us to fines and penalties. However, it may have negative impact on our reputation and brand image, and ultimately affect our financial position and results of operations.

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

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

We may be susceptible to any industry-wide food safety concerns, which could impose material and adverse impact on our business financial condition and results of operations even though such concerns are not attributable to our fault.

The food and dining industry in China is subject to concerns over food safety and quality. There have been various reports and negative publicity in relation to the food safety and quality incidents in the food and dining industry in China in the past. Even though the reports and allegations were not targeted at us, the food and dining industry could be negatively impacted by such incidents. The following downturn in the whole industry could take a long time to recover. A public perception that we, or other industry participants do not provide satisfactory products with safety and quality, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brand, undermine the trust and credibility we have established and have a negative impact on our ability to attract and retain consumers, and our business, financial condition and results of operations may be materially and adversely affected.

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

Our businesses, financial condition, results of operations and development prospects are affected, to a significant extent, by the macroeconomic conditions in China and across the globe as well as by the economic conditions specific to our businesses. The activity level of the global economy, markets, consumers and businesses are influenced by many factors beyond our control. We generated all of our revenue from our operations in China during the Track Record Period, the performance of which is closely related to the macroeconomic conditions of China. An economic downturn, whether actual or perceived, a further decrease in the economic growth rates or an uncertainty in the economic outlook in China may have a material adverse impact on consumer expenditure. Any deterioration of China's economy, contraction of consumer expenditure on food, fear of a recession and decrease in consumer confidence may lead to reduction in the number of orders placed at our stores and through online channels and the average sales value per transaction, which could materially and adversely affect our business, financial condition and results of operations.

Outbreak, epidemic or pandemic of infectious or contagious diseases as well as negative publicity relating to such incidents may cause interruptions to our supply chain, lead to the reduction in our consumer traffic and consequently impose adverse impact on our results of operations.

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

Since the end of December 2019, the outbreak of a novel strain of coronavirus, or COVID-19, had materially and adversely affected the global and China's economy. We took a series of measures in response to the outbreak of COVID-19 variants such as Delta and Omicron and the relevant restrictions, and our production, supply chain and daily operations had not been materially adversely affected during the Track Record Period. However, there remain uncertainties associated with the COVID-19, which may have potential continuing impacts in the future if the pandemic and the resulting disruption were to extend over a prolonged period. Any recurrence of the COVID-19 outbreak in China, or continuance of outbreaks in other parts of the world, could have material and adverse effect on the business operations of our stores, which may consequently have an adverse impact on our business, financial condition and results of operations.

Our results of operations may fluctuate from period to period due to seasonality.

As our hotpot products account for the majority of our revenue, we have been subject to certain levels of seasonal fluctuations with respect to consumer demand due to the seasonal patterns for hotpot consumption. For instance, we typically have more consumer orders and generate higher sales during colder months from October to February next year. We have expanded our product offering by launching diversified products that are less affected by seasonality, including barbecue products, beverages, solo-dining meals, ready-to-cook meal kits, fresh produce, western cuisines and snacks. However, we cannot assure you that such diversified product portfolio would reduce the impacts of seasonal fluctuations in consumer demands for our hotpot ingredients. Going forward, our financial condition and results of operations may fluctuate due to seasonality as we continue to expand our store network and our historical results of operations may not be comparable to or indicative of our future results of operations.

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

It is crucial to maintain our technology infrastructure's proper functions, as we essentially rely on our technology infrastructure to operate our business, including without limitation, processing all of franchisees' orders, managing our inventories, monitoring the supply chain and stores, and collecting and analyzing operating data. We procure certain third-party platforms and services, such as cloud service and payment services, to facilitate with our business operations. We will inevitably have to engage them in the ordinary course of our business, and we cannot assure you that our business operations will not be disrupted by any system failure due to the fault of such third-party platforms and services.

Furthermore, we may encounter technological issues in the process of maintaining and upgrading our technology infrastructure, including our systems, mini program on social media platforms, computer systems and software. It is complex to develop, upgrade and implement our technology infrastructure, and there may be issues detected during pre-launch testing of new features or services on our systems, which may cause system failure and result in business disruption.

Additionally, our technology systems are subject to damage or interruption from power surges and outages, facility damage, physical theft, computer and telecommunications failures, inadequate or ineffective redundancy, malicious code (including computer viruses, worms, ransomware, or similar), cyber-attacks (including account compromise; phishing; denial of service attacks; and application, network or system vulnerability exploitation), software upgrade failures or code defects, natural disasters and human error. Design defects or damage or interruption to these systems may require a significant investment to fix or replace, disrupt our operations, result in the loss or corruption of critical financial and operating data, and harm our reputation, all of which could materially adversely affect our business or results of operations.

Actual or alleged failure to comply with cybersecurity and data privacy and protection laws and regulations could damage our reputation and operating results, and discourage consumers from registering memberships, or subject us to governmental regulation and other legal obligations.

Our business generates and processes a large quantity of personal and transaction data, and we have established a synergistic system to manage our members. There are inherent risks arising from handling such large volumes of data and protecting the security of such data. We are obliged to protect the data in and hosted on our system, including against attacks on our system by third parties or fraudulent behavior by our employees. We have to address concerns in relation to data privacy and sharing, safety, security and other issues. We are further required to comply with applicable laws, rules and regulations relating to the collection, use, disclosure and security of personal information.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law, which took effect in September 2021. The PRC Data Security Law provides for a security review procedure for the data activities that may affect national security. On December 28, 2021, the CAC, together with other relevant administrative departments, jointly promulgated the revised Cybersecurity Review Measures (《網絡安全審查辦法》) with effect from February 15, 2022, according to which, the purchase of network products and services by a critical information infrastructure operator (the "**CIIO**") or the data processing activities of a network platform operator that affect or may affect national security will be subject to a cybersecurity review. In addition, an online platform operator who possesses personal information of over one million users and intends for listing in a foreign country (國外上市) must be subject to the cybersecurity review. As of the Latest Practicable Date, we had not been notified by any PRC government authorities of being classified as the CIIO. Based on the real-name telephone consultation on March 2023 regarding our proposed [**REDACTED**] in Hong Kong with the China Cybersecurity Review Technology and Certification Center (the "**CCRC**"), which is the competent authority entrusted by the CAC to set up cybersecurity review consultation hotlines, the obligation to proactively apply for cybersecurity review shall not be applicable to our proposed [**REDACTED**] in Hong Kong. However, we cannot rule out the possibility that relevant governmental authorities may find us subject to cybersecurity review due to the uncertainty of the terms "national security", in the meantime, the revised Cybersecurity Review Measures grant the governmental authorities the discretion to initiate a cybersecurity review on any data processing activity if they deem such activity affects or may affect national security.

Furthermore, on November 14, 2021, the CAC published the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Data Security Regulations**"), which reiterate the circumstances under which data processors shall apply for cybersecurity review, including, among others, (i) the data processors who process personal information of at least one million users apply for [**REDACTED**] in a foreign country (國外上市); and (ii) the data processors' [**REDACTED**] in Hong Kong affects or may possibly affect national security. Under the aforementioned stipulation, there is no explicit explanation by the relevant authorities on whether Hong Kong should be included in the scope of "foreign country" (國外). Based on the above telephone consultation result with the CCRC, our legal advisor as to PRC data security law is of the view that the obligation to proactively apply for cybersecurity review by an entity seeking [**REDACTED**] in a foreign country shall not be applicable to our proposed [**REDACTED**] in Hong Kong. However, the Draft Data Security Regulations provide no further explanation or interpretation as to how to determine what constitutes "affecting national security." As such, there remain uncertainties of interpretation, application and enforcement of the evolving relevant laws and regulations, and future regulatory changes may impose additional restrictions. As of the Latest Practicable Date, the Draft Data Security Regulations had not been formally adopted.

Having considered that, during the Track Record Period and up to the Latest Practicable Date, (i) we had not been subject to any material claims, investigations or legal proceedings settled, pending or threatened for any material non-compliance with or violations of applicable PRC laws and regulations with respect to privacy and personal data protection; (ii) we had adopted various measures, including management supervision and internal control system, to ensure compliance with privacy and data protection regulations; (iii) there had been no material cybersecurity and data protection incidents of our Company, our legal advisor as to PRC data security law, is of the view that, as of the Latest Practicable Date, we were in compliance with applicable PRC laws and regulations with respect to privacy and personal data protection in all material aspects. However, the laws and regulations regarding privacy and data protection in China are generally complex and evolving, with uncertainties as to the interpretation and application thereof. We may also become subject to additional or new laws and regulations regarding the protection of personal information or privacy-related matters in connection with our methods for data collection, analytics, storage and use.

For example, on July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) (the "**Security Assessment Measures**"), which took effect on September 1, 2022. The Security Assessment Measures require that any data processor that processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information outbound. The security assessment requirement also applies to any transfer of important data outside of China. As of the Latest Practicable Date, we had not been involved in any cross-border transfer of personal data or important data during our daily business operations. However, since the Security Assessment Measures were newly promulgated, there are uncertainties as to its interpretation and application. We cannot assure you that relevant regulatory authorities will take the same view as ours. In the event if the regulatory authorities deem certain of our activities as a cross-border data transfer, we will be subject to the relevant requirements.

In addition, the PRC Data Security Law, among other things, requires data collection to be conducted in a legitimate and proper manner, and stipulates that, for the purpose of data security, data processing activities must be conducted based on data classification and hierarchical protection system. The PRC Data Security Law also requires protection of important data, but the scope of important data is still under development and may be further clarified by various PRC governmental authorities by way of issuing ministry-level measures, regulatory guidelines and/or national standards. On November 14, 2021, the CAC published the Draft Data Security Regulations, which, among other things, impose specific data security management requirements and certain filing and reporting obligations on processors of important data, and a data processor that processes personal information of more than one million individuals is also required to comply with the relevant requirements on processors of important data. As of the Latest Practicable Date, the Draft Data Security Regulations have not come into effect. On December 8, 2022, the MIIT promulgated the Administrative Measures for Data Security in Industry and Information Technology Sectors (Trial) (《工業和信息化領域數據安全管理辦法(試行)》), or the Data Security Measures, which took effect on January 1, 2023. The Data Security Measures also impose specific data security management requirements and certain filing and reporting obligations on processors of important data. However, the term of important data still remains unclear, and the possibility of we being identified as an important data processor cannot be ruled out. If we are identified as important data processor, we will be subject to the relevant requirements under the PRC Data Security Law, the Data Security Measures and other evolving laws and regulations.

As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. Additionally, the integrity of our privacy and data protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyber-attacks. If we are unable to comply with the then applicable laws and regulations, or to address any data privacy and protection concerns, such actual or alleged failure could damage our reputation, deter existing and potential consumers to use our Guoquan APP and WeChat mini-program or register memberships, and could subject us to significant legal, financial and operational consequences. Moreover, any failure to comply with applicable data laws and regulations, and any leakage of consumer data by our channel partners, whether or not such incidents are by our fault, could subject us to adverse publicity, which could be detrimental to our reputation and brand image or subject us to proceedings and regulatory actions against us by government authorities or relevant parties. Such proceedings and regulatory actions may subject us to significant penalties and negative publicity, which could leave material and adverse impacts on our business, financial condition and results of operations.

Laws and regulations related to online and offline transactions in the PRC may impose additional requirements and obligations on our operations in our sales channels. Our business is also subject to risks associated with the online payment through third-party payment platforms and other payment methods.

We advertise and offer our products through various online and offline channels, including social media platforms, third-party food delivery platforms, and posters at stores, which are subject to the applicable PRC laws and regulations. New laws and regulations may be adopted to address new issues that arise from time to time and to impose additional restrictions on our online operations. If the PRC government establishes stricter data privacy or other regulatory requirements on online operations in the future, we may incur significantly higher compliance costs in our online channels, and we cannot assure you that we would be able to meet all the regulatory requirements in a timely manner, or at all. Such legislation and enforcement may result in additional compliance obligations and costs or place restrictions upon our current or future operations. This may in turn materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

In addition, we accept payments using a variety of methods, including payment through third-party online payment platforms, online payments with credit cards and debit cards issued by banks in China. We are subject to various rules and requirements, regulatory or otherwise, governing electronic funds transfers, which are subject to change or reinterpretation that could make it difficult or impossible for us to comply with. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from consumers, process electronic funds transfers or facilitate other types of online payments, and our business, financial position and results of operations could be materially and adversely affected.

Moreover, in November 2017, the PBOC published a notice, or the PBOC Notice, on the investigation and administration of illegal offering of settlement services by financial institutions and third-party payment service providers to unlicensed entities. The PBOC Notice intended to prevent unlicensed entities from using licensed payment service providers as a conduit for conducting the unlicensed payment settlement services, so as to safeguard the fund security and information security. As the laws and regulations in this area are still evolving and subject to interpretation, we cannot assure you that the PBOC or other governmental authorities will find the settlement mechanisms we adopted to be in compliance with the PBOC Notice. We have entered into third-party payment service agreements with licensed entities. However, if the PBOC or other relevant governmental authorities consider the settlement mechanisms we adopted not fully compliant with the PRC regulations, we may need to adjust our business and cooperation model with the commercial banks and third-party payment service providers, and be subject to penalties and orders to rectify, which may result in higher payment processing cost, and any of these events may materially and adversely affect our growth potential, business and results of operations.

We, our Directors, management, and employees may be subject to litigation, arbitration and regulatory investigations and proceedings, such as claiming in relation to food safety and quality, commercial, labor, employment, antitrust or securities matters, and may not always be successful in defending ourselves against such claims or proceedings.

Due to our business nature, we are subject to potential liabilities, allegations, legal claims and regulatory proceedings, including labor disputes, labor disputes with our employees, intellectual property infringement claims, contract disputes with our franchisees, and food safety and quality claims. For example, consumers could assert legal claims against us in connection with personal injuries related to food poisoning or tampering. The PRC government, media outlets and public advocacy groups have been increasingly focused on consumer protection in recent years. See "Regulatory Overview — Regulations on Consumer Protection." Sale of defective products may expose us to liabilities associated with consumer protection laws. Sellers are generally responsible for compensation on customer's loss even if the contamination of food is not caused by the sellers. Thus, we may also be held liable if our suppliers or our franchisees fail to comply with applicable food-safety related rules and regulations. Although we can require the responsible parties to indemnify us for the losses, our reputation could be adversely affected. In addition, our Directors, management and employees may from time to time be subject to litigation and regulatory investigations and proceedings or otherwise face potential liability and expense in relation to commercial, labor, employment, antitrust, securities or other matters, which could adversely affect our reputation and results of operations.

After we become a publicly listed company, we may face additional exposure to claims and lawsuits. These claims could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. 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, financial condition and results of operations.

We have limited insurance coverage for our operations.

As of the Latest Practicable Date, we had obtained insurance policies that we believe are customary for businesses of our size and type and in line with the standard commercial practice in China. See "Business — Insurance." However, there are losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, such as loss of reputation. In addition, we cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

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

We believe that our trademarks, brand names and our other intellectual properties such as patents relating to products are material to our success and market position. We have registered our trademarks and applied for patents, which may not be adequate to protect our intellectual properties. Any infringement and unauthorized use of our trademark and trade names may damage our reputation. Third parties may use or imitate our trademarks or trade names without proper authorization or misappropriate our brand to obtain information or commit fraud, which could materially and adversely affect our brand reputation, business and results of operations, in which case we may have to initiate legal proceedings against parties for such infringements. Such legal proceedings could result in diversion of resources from our operations, and we may not be able to obtain results in our favor. Even if such legal proceedings come out with results in our favor, we may not be able to enforce the judgment or the remedies or damages may to be adequately recoverable to compensate us for our actual or anticipated losses, whether tangible or intangible.

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

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

In addition, we may be unaware of intellectual property registrations or applications relating to our business that may give rise to potential objection against the registration of trademarks associated with our brand or even infringement claims against us. Accordingly, we may fail to successfully register our trademarks or face claims of infringement of third parties' intellectual property rights. We cannot assure you that we will not be subject to trademark litigation or disputes in the future. Neither can we assure you that we will be successful in defending ourselves in such litigation or disputes, which could be expensive and time-consuming and could divert management attention from our business. A successful infringement claim against us could require us to pay substantial damages, and our business, financial condition and results of operations may be materially and adversely affected.

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

Pursuant to the PRC laws and regulations, we are obliged to participate in the employee social welfare plan administered by local governments, which covers pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. Pursuant to the Social Insurance Law, employers are obliged to apply for social insurance registration with local social insurance agencies and pay premiums on behalf of their employees. Pursuant to the Regulations on the Administration of Housing Provident Funds, employers are required to contribute to housing funds on behalf of their employees. See "Regulatory Overview — Regulations on Employment and Social Welfare." During the Track Record Period, we did not make full contribution to social insurance and housing provident funds for certain employees. In 2020, 2021 and 2022, we made provisions of RMB6.5 million, RMB10.7 million and RMB14.7 million, respectively in respect of the estimated shortfall in social insurance plans and housing provident fund contributions. As of the Latest Practicable Date, we had not received any administrative penalty, rectification order imposed by competent authorities in PRC, or any material compliant from our employees concerning their payment of social insurance and housing provident funds. We cannot assure you that we will not be subject to any order to rectify this non-compliance incident in the future. We may be ordered by the relevant authorities to pay the overdue contributions within the prescribed period, failing which we may be subject to a penalty or subject to specific enforcement by the People's Court. Any such order may adversely and materially affect our business, financial condition, results of operations and prospects.

In addition, certain PRC subsidiaries of us engaged third-party human resource agencies to pay social insurance premium and housing provident funds for certain of our employees. As of the Latest Practicable Date, our relevant PRC subsidiaries had not received any administrative penalty or labor arbitration application from employees for their arrangement with the third-party human resource agencies. If such agencies fail to pay the social insurance premiums or housing provident funds for and on behalf of our employees as they agreed or if such arrangements are challenged by government authorities, we may be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer or be ordered to rectify. See "Business — Employees."

We are subject to certain risks relating to third-party settlements.

Historically, certain of our customers and suppliers (individual or collectively, the "**Relevant Counterparty(ies)**") settled transactions with us through the accounts of third parties chosen by these Relevant Counterparties (the "**Third-party Settlement Arrangement**"). In 2020, 2021 and 2022, the aggregate amount of payment from the chosen third parties to us accounted for approximately 17.3%, 9.3% and 1.3% of our total payments received from franchisees, respectively. During the same periods, the aggregate amount of payment made from us to the chosen third parties accounted for approximately 1.3%, nil and nil of our total payments made to all suppliers, respectively. No individual Relevant

Counterparty had made material contribution to our revenue or cost during the Track Record Period. See "Business – Risk Management and Internal Control – Third-party Settlement Arrangement." We have ceased all Third-party Settlement Arrangement with our customers and suppliers since September 2022 and April 2020, respectively. We are subject to various risks relating to such Third-party Settlement Arrangements during the Track Record Period, such as (i) possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors and (ii) possible claims from suppliers that they did not receive the payments we made to their chosen third parties. In the event of any claims from suppliers, third-party payors or their liquidators, or legal proceedings instituted or brought against us in respect to the demand for refund, payment to suppliers or return of third-party payment or for violation or non-compliance of laws and regulations, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and we may be forced to comply with the court ruling and return the payment for the products that we sold. Our financial condition and results of operations may as a result be adversely affected.

Our own rights to using some of our leased properties may be queried by property owners or other third parties due to title defects of such leased properties, and we may consequently have to relocate due to the title defects or be subject to fines as a result of unfiled leases, which may result in a disruption of our operations and may adversely affect our business operations and financial position.

We lease properties mainly for office spaces and employee dormitories. As of the Latest Practicable Date, with respect to 33 out of 88 of our lease properties in China, the lessors of such properties had not provided us with valid title certificates, or relevant proofs, evidencing the legality of the construction of the lease properties. This was mainly due to that the lessors failed to file with relevant government authorities or that the relevant certificates were in the progress of application. As advised by our PRC Legal Advisor, if the leased properties were deemed by competent government authorities as illegal constructions under relevant PRC laws and regulations, we may be required to vacate from the relevant properties and relocate our offices and employee dormitories. In this event, our operation may be impaired, and we may not be adequately indemnified by the landlords for our related losses. Also, we will incur additional costs in relocating our offices and employee dormitories to other suitable locations, thus affecting our business and financial condition. Furthermore, in the event that any lessor's right to lease was challenged by any party with third-party interests, or if some of our leased properties were challenged by competent government authorities because of the inconsistency between actual usage and prescribed usage in the title documents or due to the lack of construction completion that proves our ability to use, our occupation or lease of such properties is likely to be adversely affected.

Under PRC law, all lease agreements are required to be registered with the local land and real estate administration bureau. As of the Latest Practicable Date, all lease agreements had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of such lease agreements. However, the relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000 on each lease agreement that is not registered and filed within the prescribed timeframe. The aggregate amount of the maximum fine would be approximately RMB0.9 million, which we believe would not have a material adverse impact on our business, financial condition and results of operations. However, in the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. See "Business — Properties."

We recognized a certain scale of goodwill and intangible assets during the Track Record Period. If we determine our goodwill and/or intangible assets to be impaired, it would adversely affect our financial condition and results of operations.

Our goodwill amounted to nil, nil and RMB138.0 million as of December 31, 2020, 2021 and 2022, respectively, which mainly relates to our acquisition of Luyi Chengming in 2022. Goodwill is tested for impairment annually or more frequently it events or changes in circumstances indicate potential impairment. In 2022, we also recorded other intangible assets of RMB3.8 million, RMB6.1 million and RMB61.1 million as of December 31, 2020, 2021 and 2022, respectively, which mainly represented software, trademark and research and development costs. Intangible assets that have a useful life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We did not recognize impairment losses in respect of goodwill or intangible assets during the Track Record Period. For details of the impairment assessment methods for our intangible assets and goodwill, see Notes 2.3 to Appendix I to this document.

In evaluating the potential for impairment of goodwill, our management makes a number of assumptions, such as the continuity of the acquired businesses. Their future operating performance, business trends, and market and economic conditions. This requires us to make subjective assumptions, and there are inherent uncertainties relating to this analysis and our management's judgment in assessing the recoverability of the goodwill. If any of the assumptions does not materialize, or if the performance of the acquired business is not consistent with such assumptions, we may be required to write-off part or all of our goodwill and record an impairment loss. On the other hand, adverse changes in the future may result in decreases in the value of our intangible assets, which in turn would result in an impairment loss. We also make certain assumptions when assessing the value of our intangible assets, including assumptions on their useful life. There are inherent uncertainties relating to these assumptions. We cannot assure you that our assumptions will prove to be correct. Any such change in our assumptions may require us to re-value our intangible assets, which may in turn result in impairment losses. Any significant impairment of goodwill or intangible assets could substantially affect our reported earnings in the periods when recognized. In addition, impairment charges would negatively affect our financial ratios which may limit our ability to obtain external financings.

Our results of operations, financial condition and prospects may fluctuate subject to the changes in fair value of our financial assets at fair value through profit or loss ("financial assets at FVTPL") (other than wealth management products) due to the uncertainty of accounting estimates in the fair value measurement and use of significant unobservable inputs in the valuation techniques.

During the Track Record Period, apart from wealth management products, we also made equity and other forms of investments in high-quality and promising companies from time to time. For these investments, we recognized unrealized fair value gains on financial assets at FVTPL of RMB57.9 million in 2022. As of December 31, 2020, 2021 and 2022, such financial assets at FVTPL amounted to nil, RMB330.0 million and RMB237.9 million, respectively.

Our financial assets at FVTPL measured at fair value with significant unobservable inputs used in the valuation techniques and the changes in their fair value are recorded in our consolidated income statements and consolidated statements of comprehensive income, therefore directly affecting our results of operations. There is no assurance that we will not incur such similar fair value losses in the future. If we incur significant fair value losses, our results of operations, financial condition and prospects may be adversely affected.

If we fail to perform our contract obligations, our business, results of operations and financial condition may be materially and adversely affected.

Our contract liabilities primarily represented the advance payments from our franchisees while the underlying goods or services are yet to be provided, which amounted to RMB54.7 million, RMB61.4 million and RMB91.1 million as of December 31, 2020, 2021 and 2022, respectively. See "Financial Information – Discussion of Key Items of Consolidated Statements of Financial Position – Other Payables and Accruals." If we fail to honor our obligations in respect of our contract liabilities, we may not be able to convert such amount of contract liabilities into revenue as expected. Our liquidity position may be adversely affected if we are required to refund some or all of the prepayments to franchisees pursuant to our agreements or pursuant to applicable laws and regulations when disputes arise.

In addition, if we fail to honor our obligations in respect of our contract liabilities, it may also adversely affect our relationship with relevant franchisees, which may in turn affect our reputation, as well as our results of operations in the future. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

We enjoy certain governmental grants and preferential tax treatments from the government of PRC. Expiration of, or changes to theses preferential tax treatments and government grants may negatively impact our business.

During the Track Record Period, certain of our Group members enjoy preferential tax treatments for value-added tax and income tax in the PRC. The policies regarding the preferential tax treatment are subject to review, renewal, change and termination. The government agencies may decide to reduce, eliminate or cancel our preferential tax treatment at any time. Therefore, we cannot assure you of the continued availability of such preferential tax treatment which we currently enjoy. The discontinuation, reduction or delay of the preferential tax treatment could adversely affect our financial condition and results of operation.

In 2020, 2021 and 2022, we recorded government grants of RMB2.6 million, RMB8.6 million and RMB28.5 million, respectively. Government grants primarily related to income as rewards for our contribution to the local economic growth, as well as government grants received related to assets, mainly representing subsidies for our investment in production capacity expansion. As the government grants were generally non-recurring in nature, we cannot guarantee that we will be able to continue to obtain government grants, which may have a material adverse effect on our results of operations and profitability.

We have incurred net losses, which may reoccur in the future.

Whilst we recorded net profit of RMB241.0 million in 2022, we recorded net losses of RMB43.3 million and RMB460.9 million in 2020 and 2021, respectively, primarily due to (i) substantial amount of selling and distribution expenses resulting from the increase of operation staff and our increased marketing activities, and (ii) the increase in administrative expenses primarily driven by the increased employee benefits along with the expansion of our administrative force. We may not be able to achieve or subsequently maintain profitability in the future. We believe that our future revenue growth will depend on, among other factors, our ability to maintain and expand our store network, and compete effectively. Accordingly, you should not rely on the revenues of any prior period as an indication of our future performance. We may also incur unforeseen expenses, or encounter difficulties, complications or delays in deriving revenue or achieving profitability. If we are unable to generate adequate revenues and manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or subsequently maintain profitability.

We have recorded negative operating cash flows in the past, which may reoccur in the future.

Whilst we recorded positive operating cash flow of RMB285.3 million in 2022, we had negative operating cash flow of RMB541.5 million and RMB598.0 million in 2020 and 2021, respectively. We cannot assure you that we will be able to maintain robust cash flow from operating activities in the future. If we encounter long-term and continual net operating cash outflow in the future, we may not have sufficient working capital to cover our operating costs, and our business, results of operations and financial position may be materially and adversely affected.

We may make acquisitions, establish joint ventures and conduct other strategic investments, which may not be successful.

To expand our business and strengthen our market position, we may seek to invest in other businesses of the upstream in the value chain of our business by forming strategic alliances or making strategic investments and acquisitions. Acquisitions involve numerous risks, including (i) difficulties in integrating the operations and personnel of the acquired companies, distraction of management from overseeing our existing operations, (ii) difficulties in executing new business initiatives, entering markets or lines of business in which we do not have or have limited direct prior experience, (iii) the possible loss of key employees and consumers, and (iv) difficulties in achieving the synergies we anticipated or levels of revenue, profitability, productivity or other benefits we expected. These transactions may also incur significantly increase in our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition or investment, issue common stock that would dilute our current shareholders' percentage ownership, or incur asset write-offs and restructuring costs and other related expenses. Acquisitions, joint ventures and strategic investments involve numerous other risks, including potential exposure to unknown liabilities of acquired or investee companies. No assurance can be given that our acquisitions, joint ventures and other strategic investments will be successful and will not materially adversely affect our business, financial condition or results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in China's economic, political and social conditions, as well as policies of the PRC government, could have a material adverse effect on our business and prospects.

We generated all of our revenue from our operations in China during the Track Record Period. Accordingly, our business, financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. In particular, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation could affect the business and economic environment, the growth of the PRC's home meal solutions industry and ultimately, the profitability of our business. The PRC economy differs from the economies of developed countries in many respects, including, among other things, level of economic development, growth rate, foreign exchange controls and resources allocation.

In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively refined or adjusted from industry to industry or across different regions of the country. If the business environment in China changes, our business in China may also be materially and adversely affected.

The legal system in which we operate is evolving, which leads to uncertainties that could adversely affect us.

We are incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as many of these laws and regulations are relatively new and continue to evolve, these laws and regulations may be subject to different interpretation and inconsistently enforced. In addition, there is a limited volume of published court decisions, which may be cited for reference but are not binding on subsequent cases and have limited precedential value unless the Supreme People's Court otherwise provides. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to investors and us.

Any significant changes in food safety laws, regulations and related policies could affect our business.

The industry we operate in is subject to the laws and regulations of food safety in China. Such regulations set out the safety standards for food and food additives, packaging and containers, the information required to be disclosed on packaging, and the regulations on food production and siting, facilities and equipment used for transportation and sale of food. In recent years, the Chinese government has been stepping up its supervision on food safety. According to the newly amended Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》) and the Regulations for the Implementation of the Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法實施條例》), food manufacturers and operators should act in accordance with laws, regulations and food safety standards to engage in production and operating activities, establish a sound food safety management system, and take effective measures to prevent and control food safety risks, so as to ensure the food safety. This may increase compliance costs for retailers, including us. Failure to comply with the laws and regulations of food safety in China may result in corrective actions ordered by regulatory authorities, fines, confiscation of the proceeds, suspension of food production and operation as ordered, revocation of food production and operation permits, and in extreme cases, criminal liability. Despite our current compliance with existing laws and regulations of food safety, if the Chinese government makes further changes to its regulations on food safety, our production, sale and distribution costs may increase, and we may not be able to successfully pass the additional costs on externally, which will have adverse impacts on our business, financial condition and development prospects.

The PRC government's control over foreign currency conversion may limit our foreign exchange transactions.

Conversion and remittance of foreign currencies are subject to the Chinese foreign exchange regulations. There can be no assurance that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under the Chinese 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 the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. The Chinese government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange for any of the above purposes under the capital account, our potential offshore capital expenditure plan may be restricted.

Under existing foreign exchange regulations, following completion of the [**REDACTED**], we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, we cannot assure you that these foreign exchange policies regarding payment of dividends in foreign currencies will be continuously effective in the future. In addition, due to the restriction resulting from government foreign exchange regulations, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to holders of our H Shares or to satisfy any other foreign exchange requirements.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profit. Our distributable profit is our profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in years in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

In addition, we are required to comply with the dividend distribution rules prescribed by the PRC regulatory authorities when determining our dividend payout ratios. The PRC regulatory authorities may further amend the dividend distribution rules for listed companies in the future, which could significantly affect the amount of capital available to support the development and growth of our business.

Moreover, as the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to distribute dividend to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

You may experience difficulties in effecting service of legal process or enforcing foreign judgments against us and our management.

We are incorporated under the laws of the PRC and all of our business and operations are located in the PRC. It may be difficult for investors to effect service of process upon those persons residing in China or to enforce against us or them in China any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of most other jurisdictions. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions outside China may be difficult or even impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《最高人民法院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**"). Under the Arrangement, a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court. A written choice of court agreement 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 did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China.

On January 18, 2019, the Supreme People's Court of the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"). The New Arrangement will broaden the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction needs to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties' agreement. The New Arrangement will replace the Arrangement when the former becomes effective. However, as of the Latest Practicable Date, the New Arrangement had not become effective, and no specific date had been determined as its effective date. We cannot assure you that any action brought in China by holders of H Shares to enforce a Hong Kong arbitration award made in favor of holders of H Shares would succeed.

Furthermore, although we will be subject to the Listing Rules and the Takeovers Code upon the [**REDACTED**] of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Disputes between holders of H Shares and us, our Directors, supervisors, senior officers or holders of [**REDACTED**] shares, arising out of our Articles of Association or the rights or obligations conferred or imposed upon by the PRC Company Law and related rules and regulations concerning our affairs, including the transfer of our H Shares, are to be resolved through arbitration rather than by a court of law. A claimant may elect to submit a dispute to arbitration organizations in Hong Kong or in China. Awards that are made by the PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, we cannot assure you that any action brought in China by any holder of H Shares to enforce a Hong Kong arbitral award made in favor of holders of H Shares would succeed.

We are a PRC enterprise and we are subject to PRC tax on our global income and any gains on the sales of H Shares and dividends on the H Shares may be subject to PRC income taxes. Under the EIT Law of the PRC, our offshore subsidiaries may be subject to PRC income tax on their worldwide taxable income.

Non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares. Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the dividend income derived in China under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the non-PRC resident individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui [1994] No. 20) issued by the MOF and SAT on May 13, 1994, the income gained by foreign individuals from dividends and bonuses of foreign-invested enterprises are exempted from individual income tax for the time being. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院轉批發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key

Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). According to these two documents, the PRC government is planning to cease foreign individuals' tax exemption for dividends obtained from foreign invested enterprises, and the MOF and the SAT should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the MOF and the SAT. Considering these uncertainties, non-resident individual holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and bonus realized from the H Shares.

Pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) (Cai Shui [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, gains realized by individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. As of the Latest Practicable Date, no aforesaid provisions have expressly provided whether individual income tax shall be levied from non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H shares. For non-PRC resident enterprises that do not have establishments or premises in China, and for those that have establishments or premises in China but whose income is not related to such establishments or premises, under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》) (the "**EIT Law**") and its implementation regulations, dividends paid by us (including payments via CCASS) and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are subject to PRC enterprise income tax at a 10% rate unless otherwise reduced or exempted by relevant tax treaties or similar arrangement. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) (Guo Shui [2008] No. 897) issued by SAT on November 6, 2008, the withholding tax rate for dividends of the year of 2008 and onwards payable to non-PRC resident enterprise holders of H Shares will be 10%. Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval.

Despite the arrangements mentioned above, there remain significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations by the competent tax authorities and the PRC tax laws and regulations may also change, which may adversely affect the value of your investment in our H Shares.

RISKS RELATING TO THE [REDACTED]

There has been no prior public trading market for our H shares, and their liquidity and market price may be volatile.

Prior to the [**REDACTED**], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of [**REDACTED**]. In addition, the [**REDACTED**] of our H Shares is expected to be fixed by agreement between the [**REDACTED**] and us, and may not be an indication of the market price of our H Shares following the completion of the [**REDACTED**]. If an active public market for our H Shares does not develop following the completion of [**REDACTED**], the market price and liquidity of our H Shares could be materially and adversely affected.

The price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our results of operations, changes in our pricing policy, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in profit forecast or recommendations by financial analysts, changes in ratings by credit rating agencies, litigation or the removal of the restrictions on share transactions, could cause large and sudden changes to the volume and price at which our H Shares will trade.

In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume volatility that is not related to the operating performance of any particular company.

Holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The [**REDACTED**] of our H Shares is expected to be determined on the [**REDACTED**]. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be several business days after the pricing date. As a result, investors may not be able to sell or [**REDACTED**] our H Shares during that period. The price and trading volume of the H Shares may be highly volatile. Factors such as variations in our revenue, net profit and cash flows and announcements of new investments, strategic alliances and acquisitions, fluctuations in market prices for our products and services or fluctuations in market prices for other competitive companies could cause the market price of our H Shares to change substantially. Any such developments may result in significant and sudden changes in the volume and price at which our H Shares will trade. We cannot assure you that these developments will not occur in the future. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, which could occur between the time of sale and the time trading begins.

Substantial future sales or the expectation of substantial sales of our H Shares in the public market could cause the price of our H Shares to decline.

Although our Controlling Shareholders are subject to restrictions on their sales of H Shares within 12 months from the [**REDACTED**] as described in "[**REDACTED**]" in this document, future sales of a significant number of our H Shares by our Controlling Shareholders or other existing shareholders in the public market after the [**REDACTED**], or the perception that these sales could occur, could cause the market price of our H Shares to decline and could materially impair our future ability to raise capital through offerings of our H Shares. We cannot assure you that our Controlling Shareholders, or other existing shareholders will not dispose of H Shares held by them or that we will not issue H Shares pursuant to the general mandate to issue shares granted to our Directors as described in "Appendix IV — Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions", upon the expiration of restrictions set out above. We are currently applying for part of the Company's Domestic [**REDACTED**] Shares to circulate on the Hong Kong Stock Exchange after the completion of the [**REDACTED**]. According to the PRC Company Law, the Shares issued by the Company prior to the [**REDACTED**] are restricted from trading within one year from the [**REDACTED**]. Such restriction from trading will limit the number of H Shares to be circulated on the market, which will in turn adversely affect the liquidity of the H Shares during such restriction period. If our application for the circulation of our relevant Domestic [**REDACTED**] Shares on the Hong Kong Stock Exchange after the completion of the [**REDACTED**] is successful, any future sales (after the expiration of the restrictions set out above) of Domestic [**REDACTED**] Shares by relevant Shareholders in the public market may affect the market price of the H Shares. Moreover, if we convert a substantial number of domestic [**REDACTED**] shares into H shares to be [**REDACTED**] and traded in the future at the Hong Kong Stock Exchange, it may further increase the supply of the H shares in the market, which may affect the market price of the H Shares. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders or other existing Shareholders, or the Shares available for sale by our Controlling Shareholders or other existing Shareholders, or the issuance of Shares by our Company may have on the market price of the H Shares. Sale or issuance of a substantial number of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the H Shares.

We may need additional capital, and the sale or issue of additional H Shares or other equity securities could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the net [**REDACTED**] from the [**REDACTED**], we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

As the [REDACTED] of our H Shares is higher than our consolidated net tangible book value per Share, purchasers of our H Shares in the [REDACTED] may experience immediate dilution upon such purchases.

As the [**REDACTED**] of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the [**REDACTED**], purchasers of our H Shares in the [**REDACTED**] may experience an immediate dilution. Our existing Shareholders will receive an increase in the [**REDACTED**] adjusted consolidated net tangible asset value per Share of their H Shares. In addition, holders of our H Shares may experience further dilution of their interest if the [**REDACTED**] exercise the [**REDACTED**] or if we issue additional H Shares in the future to raise additional capital.

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

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information — Dividends and Dividend Policy."

Any possible conversion of our Domestic [REDACTED] Shares into H Shares in the future could increase the number of our H Shares in the market and negatively impact the market price of our H Shares.

We [have filed] with the CSRC for the conversion of a portion of our Domestic [**REDACTED**] Shares into H Shares. If the CSRC confirms our completion of the filing procedures, such portion of the Domestic [**REDACTED**] Shares will be converted into H Shares upon [**REDACTED**], which will be [**REDACTED**] and traded on the Stock Exchange. Our remaining Domestic [**REDACTED**] Shares may also be converted into H Shares upon completion of required procedures in the future, and such converted shares may be [**REDACTED**] or traded on an overseas stock exchange, provided that, prior to the conversion and trading of such converted shares, any requisite internal approval by our Shareholders in a general meeting is duly obtained and the approvals from relevant PRC regulatory authorities shall be obtained. However, the PRC Company Law provides that in relation to the [**REDACTED**] of a company, the shares of that company which are [**REDACTED**] prior to the [**REDACTED**] shall not be transferred within one year from the date of [**REDACTED**] of the [**REDACTED**]. Therefore, upon obtaining the requisite approval, our Domestic [**REDACTED**] Shares may be traded, after the conversion, in the form of H Shares on the Hong Kong Stock Exchange one year after this [**REDACTED**], which at that time could further increase the number of our H Shares available in the market and may negatively impact the market price of our H Shares.

Our interests may conflict with those of our Controlling Shareholders, who may take actions that are not in, or may conflict with, our or our public shareholders' best interests.

The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, the non-controlling shareholders could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including, but not limited to, mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors and other significant corporate actions. Our Controlling Shareholders have no obligation to consider the interests of our Company or the interests of our other shareholders other than pursuant to the deed of non-competition. Consequently, our Controlling Shareholders' interests may not necessarily be in line with the best interests of our Company or the interests of our other Shareholders, which may have a material and adverse effect on our Company's business operations and the price at which our Shares are traded on the Stock Exchange.

Certain statistics contained in this document are derived from a third-party report and publicly available official sources and they may not be reliable.

Certain statistics contained in this document relating to China, the PRC economy and the industry in which we operate have been derived from a third-party report and various official government publications. However, we cannot assure you of the quality or reliability of such source materials. They have not been prepared or independently verified by us, the [**REDACTED**] or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

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

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

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

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