This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this document. You should read the entire document before you decide to [**REDACTED**] *in the* [**REDACTED**].

There are risks associated with any [**REDACTED**]. *Some of the particular risks in* [**REDACTED**] *in the* [**REDACTED**] *are set out in "Risk Factors". You should read that section carefully before you decide to* [**REDACTED**] *in the* [**REDACTED**].

OVERVIEW

We are a Chinese quick service restaurant ("QSR") group in China's fast growing catering industry, dedicated to serving our customers with quality, diverse and affordable meals in a fashion of quick yet attentive services. Our story began in 1996 when our co-founders, Ms. Li Hong (李紅) and Mr. Zhang Xingqiang (張興強), opened their first restaurant in Chongqing. Since our inception, we have been committed to offering customers quality dishes with "best value for money". Every day, we strive to serve our customers delicious food freshly prepared using quality ingredients. At the same time, we endeavor to stay budget friendly, making our dishes a daily option for a large population of ordinary consumers. A history of responsible business practices offering "delicious yet affordable" ("好吃不貴") meals has helped us build a brand image and engender consumer trust, driving our growth over the years and keeping us inspired to further contribute to the future of Chinese quick service restaurant. Today, we have built a restaurant network for two brands consisting of 1,154 self-operated restaurants and covering eleven provinces and municipalities in China as of December 31, 2022.

We mainly operate two distinctive brands: Country Style Cooking ("CSC") and Rice Space.

CSC
乡村基

CSC, our first brand established in 1996, is our interpretation of Sichuan cuisine, the most popular Chinese cuisine, on the modern stage of quick service restaurants. As a professional Sichuan chef, Ms. Li Hong (李紅) has a special passion for Sichuan culinary arts. We carefully choose our ingredients and prepare all of our food freshly onsite to give our customers the best possible experience of Sichuan style cooking. We seek a flavor profile that is not only hot, but also sweet, sour, savory and with the classic numbing effect of the Sichuan peppercorn.

We take special pride in our 26-year endeavor to keep our delicious dishes affordable, building CSC into a daily dining option for our customers. To meet the dining needs of a wide range of customers of different ages, CSC places its restaurants in diversified locations and offers a variety of choices throughout the day. With its longstanding commitment to serving quality dishes while charging reasonable prices, CSC has become one of the most beloved Chinese quick service restaurants in the major markets where it is present. CSC is popular among younger generations. As of December 31, 2022, we operated 551 CSC restaurants in China.

Rice Space 大米先生 Rice Space, which was established in 2011, is our quick-service dining brand focusing on the popular Hunan, Jiangsu & Zhejiang and Guangdong regional cuisines. We freshly prepare dishes with quality ingredients to meet the flavor preferences of our customers without compromising efficiency. We believe Rice Space's customer base, which is especially focused on time-pressed office workers, value a delicious and relaxing moment during their busy lives. We introduced the charging-by-weight (稱菜) model (as opposed to charging by item) and the small entrées (小碗菜) model into our business, giving customers greater variety within a given budget. All these endeavors are to enable our customers to enjoy a personalized meal with food quality that's comparable with full-service restaurants without compromising the efficiency afforded by our quick services. Starting from central business districts in metropolitans, Rice Space gradually extended its footprint. As of December 31, 2022, we operated 603 Rice Space restaurants in China.

Throughout over 26 years of our history in QSR industry, we have accumulated extensive experience and resources in operating Chinese quick service restaurants. We directly own and operate all of our restaurants with the belief that this is the best way to achieve a standardization in quality, diversification, and operation. We have built a standardized and scalable practice. We automate our in-restaurant workflows and digitalize our business operations. We have established an efficient and integrated supply chain system as the backbone behind our daily restaurant operations. We implement stringent food safety and quality control. Our food safety management system has received the ISO 22000 qualifications certified by Shenzhen CTI International Certification Co., LTD ("CTI"), along with other food safety certificates. These characteristics, combined with our other strengths, enable us to offer quality dishes to our customers.

During the Track Record Period, our network expanded rapidly from 638 restaurants as of January 1, 2019 to 1,154 restaurants as of December 31, 2022. Since 2020, our business and operating results have been affected by the outbreak and resurgence of the COVID-19 pandemic, which resulted in a decline in our customer traffic, temporary restaurant closures and reduced operating hours. Despite the impact of COVID-19, we achieved an increase in revenue from RMB3,257.3 million in 2019 to RMB4,706.5 million in 2022. Except 2020, in which year we recorded a net loss of RMB2.4 million, we had a net profit for each of the remaining years during the Track Record Period, recording a net profit of RMB82.7 million, RMB109.4 million and RMB30.8 million for 2019, 2021 and 2022, respectively. We also recorded an adjusted net profit (non-IFRS measure) of RMB82.7 million, RMB11.9 million, RMB181.8 million and RMB73.5 million for 2019, 2020, 2021 and 2022, respectively. See "Financial Information" for more details.

OUR RESTAURANTS

Restaurant Network

During the Track Record Period, the number of our CSC and Rice Space restaurants increased from 638 as of January 1, 2019 to 1,154 as of December 31, 2022, of which our CSC restaurants increased from 370 to 551 and Rice Space restaurants increased from 268 to 603.

During the Track Record Period, we principally focused on strengthening and expanding our market presence in the key regions: Chongqing, Sichuan, Hubei, Hunan, and Shanghai. A majority of our CSC restaurants are located in Chongqing and Sichuan, with 305 restaurants in Chongqing and 199 restaurants in Sichuan, respectively, as of December 31, 2022. Our CSC restaurants further expanded to Jiangsu in November 2021 and to Zhejiang in December 2021. As of December 31, 2022, we operated 17 CSC restaurants in Jiangsu and 17 CSC restaurants in Zhejiang. Rice Space had 197 restaurants in Hubei, 81 restaurants in Hunan, 103 restaurants in Sichuan, 78 restaurants in Chongqing, 127 restaurants in Shanghai and 17 restaurants in Guangdong, as of December 31, 2022.

The table below summarizes the number of our CSC and Rice Space restaurants by geographic location during the Track Record Period.

	As of December 31,			
	2019	2020	2021	2022
CSC				
Chongqing	273	302	330	305
Sichuan	172	196	212	199
Jiangsu	–	–	3	17
Zhejiang	–	–	2	17
Others[1]	24	32	28	13
Subtotal	469	530	575	551
Rice Space				
Hubei	134	152	191	197
Hunan	78	100	100	81
Sichuan	86	101	104	103
Chongqing	80	72	82	78
Shanghai	–	14	96	127
Guangdong	–	–	1	17
Subtotal	378	439	574	603
Total	847	969	1,149	1,154

Note:

1. Others include Shaanxi, Guizhou and Yunnan.

In 2019, 2020, 2021 and 2022, we opened 125, 113, 122 and 50 CSC restaurants and 127, 109, 179 and 97 Rice Space restaurants, respectively. During the same periods, we closed 26, 52, 77 and 74 CSC restaurants and 17, 48, 44 and 68 Rice Space restaurants, respectively, primarily due to termination of the relevant lease agreements and restaurants' underperformance due to changes in business environment and customer traffic, which in 2020, 2021 and 2022 was primarily affected by the COVID-19 pandemic. Accordingly, we had a net increase of 99, 61 and 45 CSC restaurants in 2019, 2020 and 2021, respectively, and a net decrease of 24 CSC restaurants in 2022. In the same periods, we had a net increase of 110, 61, 135 and 29 Rice Space restaurants. See "Business – Our Restaurants – Restaurant Network" for more details. The following table sets forth the total number of our CSC and Rice Space restaurants and their movement during the Track Record Period.

	Year Ended December 31,			
	2019	2020	2021	2022
Number of restaurants				
CSC				
At the beginning of the period	370	469	530	575
Opened during the period	125	113	122	50
Closed during the period	(26)	(52)	(77)	(74)
At the end of the period	469	530	575	551
Rice Space				
At the beginning of the period	268	378	439	574
Opened during the period	127	109	179	97
Closed during the period	(17)	(48)	(44)	(68)
At the end of the period	378	439	574	603

See "Business – Our Restaurants – Restaurant Network" for more information.

Restaurants Performance

During the Track Record Period, we generated substantially all of our revenue from restaurant business, including restaurant operation and delivery business. Our revenue was RMB3,257.3 million, RMB3,161.0 million, RMB4,618.3 million and RMB4,706.5 million in 2019, 2020, 2021 and 2022, respectively. The slight decrease of our revenue in 2020 was primarily due to a decline in customer traffic, temporary restaurant closures and reduced operating hours as a result of the impact of COVID-19 in 2020, which was partially offset by new restaurant openings and the growing delivery business. The following table sets forth the breakdown of our revenue by service type in absolute amount and as a percentage of our total revenue for the periods indicated.

	For the Year Ended December 31,							
	2019		2020		2021		2022	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)							
Revenue from restaurant business								
Restaurant operation	2,398,876	73.6	2,010,942	63.6	3,072,582	66.5	2,983,424	63.4
Delivery business	845,304	26.0	1,137,318	36.0	1,539,240	33.4	1,718,262	36.5
Subtotal	3,244,180	99.6	3,148,260	99.6	4,611,822	99.9	4,701,686	99.9
Others	13,101	0.4	12,729	0.4	6,456	0.1	4,806	0.1
Total	3,257,281	100.0	3,160,989	100.0	4,618,278	100.0	4,706,492	100.0

The following table sets forth the breakdown of our revenue from restaurant business by brand in absolute amount and as a percentage of our revenue from restaurant business for the periods indicated.

	For the Year Ended December 31,							
	2019		2020		2021		2022	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)							
CSC	2,066,042	63.7	1,980,353	62.9	2,386,701	51.8	2,198,207	46.8
Rice Space	1,178,138	36.3	1,167,907	37.1	2,225,121	48.2	2,530,479	53.2
Total revenue from restaurant business	3,244,180	100.0	3,148,260	100.0	4,611,822	100.0	4,701,686	100.0

Key performance indicators

The following table sets forth the information concerning certain key performance indicators with respect to our CSC and Rice Space restaurants during the Track Record Period.

	Year ended December 31,			
	2019	2020	2021	2022
CSC				
Average daily sales per restaurant[1] *(RMB)*	13,711	11,873	11,577	11,296
Average spending per order[2] *(RMB)*	26.6	25.6	25.3	25.0
Average daily orders per restaurant[3]	515	463	457	451
Average daily sales per square meter of restaurant's floor area[4] *(RMB)*	53.0	49.7	54.2	54.0
Seat turnover rate[5]	2.8	2.2	2.7	2.7
Rice Space				
Average daily sales per restaurant[1] *(RMB)*	10,207	9,882	12,461	12,722
Average spending per order[2] *(RMB)*	22.7	21.5	21.9	22.7
Average daily orders per restaurant[3]	450	460	568	561
Average daily sales per square meter of restaurant's floor area[4] *(RMB)*	45.9	49.0	66.6	69.0
Seat turnover rate[5]	3.3	3.4	4.3	4.0

Notes:

1. Calculated by dividing the aggregate revenue generated from the relevant restaurants when they were in operation for a particular period by the aggregate number of days of operation of such restaurants during the same period.

2. Calculated by dividing the aggregate revenue generated from the relevant restaurants when they were in operation collected through mobile-based payment for a particular period by the aggregate number of mobile-based payments placed by customers with such restaurants during the same period.

3. Calculated by dividing the average daily sales per restaurant for a particular period by the average spending per order of respective restaurants.

4. Calculated by dividing the average daily sales per restaurant for a particular period by the average floor area of the relevant restaurants during the same period.

5. Calculated by dividing the aggregate number of dine-in orders when the relevant restaurants were in operation by the product of aggregate restaurant operation days and aggregate seat count during the period.

CSC

We have adopted a "small size restaurant strategy" in our established markets, especially in Chongqing and Sichuan, by strategically opening new restaurants that are generally smaller in size since 2019. Our "small size restaurant strategy" aims to improve the overall operational efficiency by promoting a more efficient use of our restaurant space, and thus helps improve operating profit margin. The "small size restaurant strategy" also helps us adopt a more flexible cost structure with lower initial investment costs and rental expenses and fewer employees per restaurant, and therefore, gives us more flexibility, safety buffer and leeway especially during the COVID-19 pandemic and the post-pandemic periods and provides us with more control of the overall costs in the long term. In addition, we believe the adoption of "small size restaurant strategy" will improve the restaurant network scalability for CSC as a result of lower initial investment costs, higher operating efficiency as well as operating profit margin brought by such strategy, therefore providing us with more flexibility in opening new CSC restaurants and expanding our restaurant network. As a result of our implementation of the "small size restaurant strategy", the average size of our CSC restaurants decreased over the Track Record Period, recording 253, 227, 210 and 207 square meters as of December 31, 2019, 2020, 2021 and 2022, respectively. The fruits of our "small size restaurant strategy" are well reflected by the improvements of our average daily sales per square meter of restaurant's floor area and operating profit margin during the Track Record Period, with CSC's average daily sales per square meter of restaurant's floor area increasing from RMB53.0 in 2019 to RMB54.0 in 2022.

During the Track Record Period, our average daily sales per restaurant for CSC manifested a minor decreasing trend, from RMB13,711 in 2019 to RMB11,873 in 2020 and further to RMB11,577 and RMB11,296 in 2021 and 2022, primarily as a result of our adoption of the "small size restaurant strategy". The decrease in 2020 and 2022 was also due to the impact of the COVID-19 pandemic, which negatively affected our customer traffic and hours of operation. Our average daily orders per restaurant for CSC dropped from 515 in 2019 to 463 in 2020, and further to 457 and 451 in 2021 and 2022, due to the impact of the COVID-19 outbreak and our opening of smaller size restaurants. Our average spending per order remained relatively stable during the Track Record Period.

Our seat turnover rate, ranging between 2.2 and 2.8 during the Track Record Period, was comparable to the Chinese QSR industry average, which ranged between 1.5 and 3.0 during the past four years, and to that of other leading industry players, which ranged between 2.0 and 3.0 during the past four years, according to the Frost & Sullivan Report.

Rice Space

Our average daily sales per restaurant for Rice Space slightly decreased from RMB10,207 in 2019 to RMB9,882 in 2020, primarily due to the impact of the COVID-19 pandemic, which negatively affected our customer traffic and daily operations, and rebounded to RMB12,461 in 2021, primarily because of the increase of average daily orders per restaurant. Our average daily sales per restaurant for Rice Space remained relatively stable at RMB12,722 in 2022.

Our average daily orders per restaurant for Rice Space remained stable in 2019 and 2020, and increased to 568 in 2021 because (i) our business performance in Hubei improved as our restaurants opened in 2018 and 2019 in Hubei gradually entered into a more mature stage; (ii) we introduced the charging-by-weight model at many Rice Space restaurants; and (iii) the COVID-19 outbreak was generally under control in China in 2021. Our average daily orders per restaurant for Rice Space remained relatively stable at 561 in 2022. Our average spending per order for Rice Space remained within a narrow range from RMB21.5 to RMB22.7 during the Track Record Period.

The average size of our Rice Space restaurants was 213, 191, 186 and 182 square meters as of December 31, 2019, 2020, 2021 and 2022, respectively. Our average daily sales per square meter of restaurant's floor area for Rice Space increased from RMB45.9 in 2019 to RMB49.0 in 2020 and boosted to RMB66.6 and RMB69.0 in 2021 and 2022, reflecting a result of a combination of factors including our successful expansion in new markets such as Shanghai and Shenzhen, the improved business performance of our newly opened restaurants as they entered into a more mature stage, the introduction of the charging-by-weight model and the implementation of our "small size restaurant strategy". Our seat turnover rate, ranging between 3.3 and 4.3 during the Track Record Period, was higher than the Chinese QSR industry average, which ranged between 1.5 and 3.0 during the past four years, and than that of other leading industry players, which ranged between 2.0 and 3.0 during the past four years, according to the Frost & Sullivan Report.

Same Store Sales

The following table sets forth details of our same store sales under our CSC and Rice Space brands during the Track Record Period. Same store sales for a given period refer to the revenue of all restaurants that qualified as same stores during that period. Average same store sales per restaurant are calculated using the same store sales for a given period divided by the number of same stores in 2019 and 2020, or in 2020 and 2021, or in 2021 and 2022. We define our same store base to be those restaurants that opened for at least 300 days in both 2019 and 2020, 2020 and 2021, or 2021 and 2022.

	Year Ended December 31,					
	2019	**2020**	**2020**	**2021**	**2021**	**2022**
CSC						
Number of same stores	326		392		425	
Same store sales *(in millions of RMB)*	1,726.5	1,485.4	1,686.7	1,836.7	1,948.7	1,781.5
Same store sales growth (%)	(14.0)		8.9		(8.6)	
Average same store sales per restaurant *(in millions of RMB)*	5.3	4.6	4.3	4.7	4.6	4.2

	Year Ended December 31,					
	2019	2020	2020	2021	2021	2022
Rice Space						
Number of same stores	170		228		351	
Same store sales *(in millions of RMB)*	676.8	596.3	787.1	1,012.1	1,548.8	1,488.7
Same store sales growth (%)	(11.9)		28.6		(3.9)	
Average same store sales per restaurant *(in millions of RMB)*	4.0	3.5	3.5	4.4	4.4	4.2

In 2020, we recorded a decrease in our same store sales for both CSC and Rice Space, as our customer traffic and hours of operation were negatively affected by the COVID-19 pandemic and the restrictive measures employed to halt the outbreak. In 2021, we recorded 8.9% and 28.6% year-over-year growth for CSC and Rice Space in same store sales because (i) the COVID-19 pandemic was better contained in China in 2021, and (ii) our Rice Space restaurants opened in Hubei in 2018 and 2019 gradually entered into a mature stage, and as the brand awareness of Rice Space improved, the sales of these restaurants increased in 2021. In 2022, we recorded 8.6% and 3.9% year-over-year decrease for CSC and Rice Space in same store sales, primarily because of the resurgence of COVID-19 outbreaks in 2022 which adversely affected our restaurant operation in our major markets including Chongqing, Sichuan, Hubei and Hunan.

Delivery Business

To adapt to the trend of food delivery, we mainly work with two third-party online food delivery platforms to fulfill customers' delivery orders. During the Track Record Period, substantially all of our delivery orders were placed by customers through third-party online food delivery platforms, and for each of such delivery order, the third-party platform would charge us a fee based on delivery distance, order price and order placement time. During the Track Record Period, delivery service fees per order charged by third-party delivery platforms were between 8.0% and 22.0% of the revenue generated by the relevant delivery orders. After collecting payment from the customer, the third-party platform will deduct the fee and remit the remaining amount to us. We usually set a requirement of minimum spending for each delivery order and offer combo meals online, which typically have higher average order value compared with orders placed in store. During the Track Record Period, the profit margin[1] of our delivery business generally reached at a relatively lower percentage as compared to that of our dine-in business, the difference of which mainly reflected the fees charged by third-party online food delivery platforms which represented the costs directly attributable to our delivery business only. See "Business – Our Restaurants – Delivery Business" for more details.

1 The profit margin is for illustrative purpose and only costs for raw materials and consumables used and delivery service fees are taken into account. During our daily operation, we review the performance of our restaurant business as a whole instead of separately tracking the profitability of our dine-in business and delivery business.

IMPACT OF THE COVID-19 PANDEMIC

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

From the onset of the COVID-19 pandemic, our priority has been to ensure the health and safety of our customers and employees, and compliance with applicable health and safety regulations. Our restaurants were closed temporarily due to cautionary measures. The table below sets forth the information of restaurants temporarily closed in 2020 due to COVID-19 by geographical regions. Based on our management's estimates, the temporary closures for such restaurants in 2020 resulted in a loss of revenue of approximately RMB360 million, calculated by multiplying the number of the closure days by the average daily sales per restaurant of respective brands in respective regions in 2019. Approximately 96.0% of such restaurants resumed operation in May 2020, and the remaining either resumed operation or were closed by October 2020.

Number of restaurants temporarily closed in 2020 for:	1 to 15 days	16 to 30 days	31 to 60 days	61 to 120 days	More than 120 days	Total
CSC						
Chongqing	30	103	129	11	1	274
Sichuan	40	65	21	–	–	126
Others[1]	3	6	4	–	–	13
Rice Space						
Hubei	7	4	26	88	8	133
Hunan	14	36	20	3	1	74
Sichuan	16	35	26	2	–	79
Chongqing	7	9	48	10	1	75

Note:

1. Others include Shaanxi, Guizhou and Yunnan.

Our restaurants experienced temporary closure and business suspension during the resurgence of COVID-19 in 2021 and 2022. For instance, 18 of our restaurants in Wuhan and Changsha experienced temporary closure in August 2021 with 180 aggregate closure days, and 11 of our restaurants in Chongqing and Sichuan experienced temporary closure in November 2021 with 73 aggregate closure days. From late March to May 2022, the operation of substantially all of our Rice Space restaurants in Shanghai was suspended, which, based on our management's estimates, resulted in a loss of revenue of approximately RMB120 million, calculated by multiplying the number of the business suspension days by the average daily sales per restaurant in 2021.

The table below sets forth the information of restaurants temporarily closed during the COVID-19 resurgence in 2022 by geographical regions. Based on our management's estimates, the temporary closures for such restaurants in 2022 resulted in a loss of revenue of approximately RMB260 million, calculated by multiplying the number of the closure days by the average daily sales per restaurant of respective brands in respective regions in 2022.

Number of restaurants temporarily closed in 2022 for:	**1 to 15 days**	**16 to 30 days**	**31 to 60 days**	**61 to 120 days**	**More than 120 days**	**Total**
CSC						
Chongqing	108	111	39	2	1	261
Sichuan	139	20	2	–	1	162
Others[1]	5	7	5	3	1	21
Rice Space						
Hubei	137	23	5	1	–	166
Hunan	23	–	1	–	–	24
Sichuan	58	17	1	1	–	77
Chongqing	16	43	12	1	1	73

Note:

1. Others include Shaanxi, Guizhou and Yunnan.

Apart from temporary closure and business suspension, our business was also adversely impacted by reduced customer traffic resulting from social distancing requirements and other precautionary measures to combat COVID-19. Despite that the pandemic materially and adversely affected our business, financial condition and results of operations, we managed to increase our revenue from RMB3,257.3 million in 2019 to RMB4,706.5 million in 2022, while our net profit dropped from RMB82.7 million in 2019 to RMB30.8 million in 2022. During the Track Record Period, we recorded an adjusted net profit (non-IFRS measure) of RMB82.7 million, RMB11.9 million, RMB181.8 million and RMB73.5 million for 2019, 2020, 2021 and 2022, respectively.

With most of the travel restrictions and quarantine requirements lifted in December 2022, we have observed progressive recovery in the restaurants business performance for both of our CSC and Rice Space restaurants starting from February 2023. The following table sets forth the changes of our average daily sales per square meter of restaurant's floor area and average daily sales per restaurant by brand for January, February and March 2023 as compared to the same periods in 2022.

Average daily sales per square meter per restaurant[1]	**2023.1 vs 2022.1**	**2023.2 vs 2022.2**	**2023.3 vs 2022.3**
Country Style Cooking	(2.9)%	2.0%	11.8%
Rice Space	(15.9)%	7.3%	15.9%

Average daily sales per restaurant[2]	**2023.1 vs 2022.1**	**2023.2 vs 2022.2**	**2023.3 vs 2022.3**
Country Style Cooking	(3.9)%	(0.5)%	9.1%
Rice Space	(14.1)%	4.6%	13.0%

Notes:

1. Calculated by dividing the average daily sales per restaurant for a particular period by the average floor area of the relevant restaurants during the same period.

2. Calculated by dividing the aggregate revenue generated from the relevant restaurants when they were in operation for a particular period by the aggregate number of days of operation of such restaurants during the same period.

In January 2023, for both of our CSC and Rice Space restaurants, the average daily sales per square meter and the average daily sales were lower than the level in January 2022, mainly because (i) the backdrop of increasing COVID-19 confirmed cases in early January 2023 led to a lower consumer traffic, and (ii) Chinese Lunar New Year fell in January resulting in lower consumer traffic. In February and March 2023, our business operation exhibited a resilient recovery with the average daily sales per square meter and the average daily sales having fully recovered to the same level or presenting an increasing trend compared to those in the same periods of 2022.

In addition to the business recovery, as a result of our implementation of the "small size restaurant strategy", the expansion to new markets as well as the improved operational efficiency, our business operation recovered in early 2023 and even surpassed the pre-pandemic level in 2019. Taking the average daily sales per square meter as an example, in the first three months ended March 31, 2023, our average daily sales per square meter of restaurant's floor area for CSC and Rice Space restaurants achieved a 29.5% increase in aggregate compared to those in the same periods of 2019.

For further details of the impact of COVID-19 on our business, see "Risk Factors – Risks Relating to Our Business – Our business operations and financial performance have been and may continue to be affected by COVID-19" and "Financial Information – Impact of the COVID-19 Pandemic".

SUPPLY CHAIN MANAGEMENT

We maintain two levels of procurement team within our Group: the central supply chain team at our headquarters and regional supply chain teams. Our central supply chain team is responsible for selecting key suppliers and the procurement of ingredients such as rice, edible oils, dry food and restaurant consumables. Our regional supply chain teams are responsible for selecting qualified local suppliers and the procurement of fresh food ingredients, such as meat, vegetables, and local specialties. We carefully select, admit, evaluate and monitor our suppliers.

The prices of certain raw materials and consumables we procure have fluctuated greatly and many manifested a growing trend in recent years. For instance, pork's price increased from RMB25.6 per kilogram in 2019 to RMB38.5 per kilogram in 2020. We actively monitor market prices, adopted measures to manage our procurement costs, and maintain a diversified pool of suppliers to ensure stable supply and competitive prices. For instance, we specified the purchase prices and included price-lock arrangements in our agreements with certain suppliers, which allow us to enjoy a fixed price during the one-year contract term and the right to re-negotiate the price if market price at the time of purchase is on a decreasing trend.

We worked with 358, 345, 493 and 485 qualified suppliers in 2019, 2020, 2021 and 2022, respectively. The aggregate purchases attributable to our five largest suppliers for each year during the Track Record Period accounted for 26.1%, 23.4%, 27.6% and 22.9%, respectively, of our total purchases in 2019, 2020, 2021 and 2022. Our business relationships with these suppliers ranged from two to nine years. We believe that we maintain strong and stable relationships with our major suppliers.

See "Business – Supply Chain Management" for further details.

PRICING

We provide delicious food at an affordable price. When setting our prices, we consider the cost of raw materials, locations of restaurants, and competitors' pricing. We may adopt different pricing strategies for different types of restaurants in different cities or regions according to, among others, local customer spending pattern and level of competition, which we believe can help our restaurants thrive in the respective neighborhoods and regions. We review and update our pricing periodically, when needed, based on the latest changes in the above factors to remain competitive in the market.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

- the largest self-operated Chinese QSR group in a fast-growing catering industry;
- quality dishes with "best value for money", transforming traditional QSR dining experience;
- strong brand management and operational capabilities;
- a highly standardized and scalable business model;
- rigorous food quality and safety control; and
- visionary founder and stable, experienced management team.

OUR BUSINESS STRATEGIES

We intend to pursue the following strategies to further grow our business:

- expand our restaurant network to increase the penetration of existing markets and expand our geographical coverage;
- continue to optimize dish offerings and enhance dining experience;
- diversify business channels;
- improve supply chain capabilities to support our future expansion;
- increase investment in technology and improve overall operational efficiency through digitalization and intelligence; and
- strategically incubate new brands, and seek acquisition of or investment in high-quality assets.

COMPETITION

We operate in the Chinese QSR industry using the self-operated chain model. According to the Frost & Sullivan Report, China had a RMB4,394.1 billion catering market as measured by total revenue in 2022, and the size of the QSR market in China reached RMB1,035.9 billion in the same year, accounting for 23.6% of the catering market. As compared to Western QSRs and QSRs for other cuisine types, Chinese QSRs dominated the QSR market in China with a market share of over 70.0% from 2017 to 2022 as measured by revenue. In the Chinese QSR market, self-operated chain Chinese QSRs occupied approximately 8.3% market share as measured by total revenue in 2022. We are the largest self-operated Chinese QSR group in China as measured by both the number of and the revenue generated from self-operated chain restaurants in 2022 and the fourth largest Chinese QSR group as measured by the total revenue, occupying 0.6% market share of the Chinese QSR market in China in 2022, according to the same source.

The Chinese QSR market in China is quite competitive with top five players only accounting for approximately 3.3% of the market share in terms of total sales in 2022. Prior to the COVID-19 pandemic, the size of the Chinese QSR market grew at a CAGR of 9.3% from RMB632.8 billion in 2017 to RMB755.7 billion in 2019. Although the revenue declined to RMB659.0 billion in 2020 as affected by the outbreak of COVID-19, it rebounded to RMB772.8 billion in 2021 when the pandemic was better contained. The revenue declined to RMB728.0 billion in 2022 due to the resurgence of COVID-19 outbreaks. As the COVID-19 pandemic eased, it is expected that the revenue of the Chinese QSR market will further grow at a CAGR of 11.9% from RMB728.0 billion in 2022 to reach RMB1,275.0 billion in 2027.

Our major competitors include other Chinese QSR brands with chain restaurants. We believe that our ability to compete effectively depends upon many factors including the ability to standardize our food and service and expand our restaurant network, our band awareness, food safety compliance, and supply chain management.

RISK FACTORS

Our business and the [**REDACTED**] involve certain risks, many of which are beyond our control. Detailed discussions on all the risk factors involved are set forth in "Risk Factors" and you should read the whole section carefully before you decide to [**REDACTED**] in the [**REDACTED**]. Some of the major risks we face include:

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

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

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

- We may not be able to maintain and increase the sales and profitability of our existing restaurants.
- We have in recent years experienced rapid expansion, which leads to increased risks and uncertainties in relation to our business operation, and we may not be able to address such risks and uncertainties.
- We incurred net loss in the past and we may not be able to sustain profitability in the future.
- We had loss-making restaurants in the past and may continue to record restaurant-level operating losses.
- Our business operations and financial performance have been and may continue to be affected by COVID-19.
- Our operations are susceptible to increases in our costs for raw materials and consumables used, which could lead to fluctuation in our margins and results of operations.
- Any failure or perceived failure to deal with customer complaints or adverse publicity involving our food or services, in particular any significant liability claims or food contamination complaints from our customers, could materially and adversely impact our business and the results of operations.
- Rising labor costs may lead to declines in our margins and operating results.
- We are subject to risks concerning property rental costs, unexpected termination of leases, renewal of existing leases and any unexpected land acquisitions, building closures, or demolitions.
- Any failure to maintain effective food safety and quality control systems for our restaurants could have a material adverse effect on our reputation, results of operations, and financial condition.

SUMMARY OF FINANCIAL INFORMATION

The summary historical data of financial information set forth below has been derived from, and should be read in conjunction with, our consolidated audited financial statements as at and for the years ended December 31, 2019, 2020, 2021 and 2022, including the accompanying notes, set forth in the Accountants' Report in Appendix I to this document, as well as the information set forth in "Financial Information". Our financial information was prepared in accordance with IFRS.

Selected Consolidated Statements of Comprehensive Income

The following table sets forth selected information from our consolidated statements of profit or loss and other comprehensive income for the periods indicated, both in absolute amounts and as percentages of total revenue. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,							
	2019		2020		2021		2022	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)							
Revenue	**3,257,281**	**100.0**	**3,160,989**	**100.0**	**4,618,278**	**100.0**	**4,706,492**	**100.0**
Raw materials and consumables used	(1,401,090)	(43.0)	(1,367,626)	(43.3)	(1,972,317)	(42.7)	(2,020,463)	(42.9)
Staff costs	(775,268)	(23.8)	(700,336)	(22.2)	(1,090,629)	(23.6)	(1,173,584)	(24.9)
Property rentals and related expenses	(79,374)	(2.4)	(78,671)	(2.5)	(121,954)	(2.6)	(132,462)	(2.8)
Utilities expenses	(153,628)	(4.7)	(137,886)	(4.4)	(178,314)	(3.9)	(185,799)	(3.9)
Depreciation and amortization	(377,312)	(11.6)	(436,198)	(13.8)	(519,454)	(11.2)	(564,219)	(12.0)
Delivery service fees	(194,624)	(6.0)	(292,049)	(9.2)	(381,868)	(8.3)	(415,650)	(8.8)
Profit (loss) before taxation	**104,098**	**3.2**	**(4,814)**	**(0.2)**	**160,014**	**3.5**	**49,040**	**1.0**
Income tax (expense) credit	(21,396)	(0.7)	2,390	0.1	(50,646)	(1.1)	(18,202)	(0.4)
Profit (loss) for the year/period	**82,702**	**2.5**	**(2,424)**	**(0.1)**	**109,368**	**2.4**	**30,838**	**0.7**
Attributable to:								
Owners of the Company	80,503	2.5	(5,724)	(0.2)	108,718	2.4	32,838	0.7
Non-controlling interests	2,199	0.0	3,300	0.1	650	0.0	(2,000)	(0.0)

Adjusted Net Profit (Non-IFRS Measure)

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

We define adjusted net profit (non-IFRS measure) as net profit/(loss) for the period adjusted by adding back (i) fair value change of redeemable convertible preferred shares, (ii) [**REDACTED**] expenses and (iii) share-based payment expenses. Fair value change of redeemable convertible preferred shares is non-cash in nature and the redeemable convertible preferred shares will be automatically converted into ordinary shares upon completion of the [**REDACTED**]. [**REDACTED**] expenses are expenses incurred related to the [**REDACTED**]. Share-based compensation expenses are non-cash in nature.

However, the use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies.

The following table reconciles our adjusted net profit (non-IFRS measure) for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS.

	For the Year Ended December 31,			
	2019	**2020**	**2021**	**2022**
	(RMB in thousands, except for percentages)			
Reconciliation of net profit/(loss) and adjusted net profit/(loss) (non-IFRS measure)				
Profit (loss) for the year	82,702	(2,424)	109,368	30,838
Add:				
Fair value change of redeemable convertible preferred shares[1]	–	14,357	28,464	27,152
[**REDACTED**] expenses[2]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share-based payment expenses[3]	–	–	31,270	–
Adjusted net profit (non-IFRS measure)	**82,702**	**11,933**	**181,777**	**73,454**
Adjusted net profit margin (non-IFRS measure)[4]	**2.5%**	**0.4%**	**3.9%**	**1.6%**

Notes:

1. Fair value change of redeemable convertible preferred shares represents the gains or losses arising from a change in fair value of redeemable convertible preferred shares issued in connection with the Sequoia Investment. Such changes are non-cash in nature.

2. [**REDACTED**] expenses are expenses incurred related to the [**REDACTED**].

3. Share-based payment expenses were recorded for the ordinary shares allotted and issued to Regal Fair, an entity controlled by Ms. Li and her family members, to reward Ms. Li for her contribution to our Group, which is non-cash in nature. See Note 37 to the Accountants' Report in Appendix I to this document for details.

4. Calculated using adjusted net profit/(loss) (non-IFRS measure) divided by revenues for a given period.

We recorded an adjusted net profit (non-IFRS measure) of RMB11.9 million in 2020, compared to an adjusted net profit (non-IFRS measure) of RMB82.7 million in 2019, primarily due to a decline in customer traffic, temporary restaurant closures and reduced operating hours as a result of the COVID-19 pandemic in 2020. In 2021, we recorded an adjusted net profit (non-IFRS measure) of RMB181.8 million, which was mainly attributable to (i) customer traffic recovery and restaurant re-openings as a result of contained COVID-19 pandemic, and (ii) our restaurant network expansion in 2021. Accordingly, we achieved an improvement of adjusted net profit margin (non-IFRS measure) from 2.5% in 2019 to 3.9% in 2021. Such improvement in our overall profitability from 2019 to 2021 reflected the improved business performance of our restaurants as they entered into a more mature stage and the improved cost management due to economies of scale achieved by our expansion in established markets.

In 2022, we recorded an adjusted net profit (non-IFRS measure) of RMB73.5 million, compared to an adjusted net profit (non-IFRS measure) of RMB181.8 million in 2021, primarily because (i) the resurgence of COVID-19 outbreaks in our established markets including Chongqing, Sichuan and Hubei, especially in the fourth quarter of 2022, adversely affected the operation of our restaurants, and (ii) the stringent quarantine and lock-down measures imposed in our new market, Shanghai, resulted in the suspension of substantially all of our Shanghai Rice Space restaurants operation including the delivery business in April and May and incurring a loss of revenue of approximately RMB120 million. Accordingly, we recorded an adjusted net profit margin (non-IFRS measure) of 1.6% in 2022, compared to that of 3.9% in 2021. See "– Impact of the COVID-19 Pandemic" for more details.

We recorded a loss of RMB2.4 million in 2020 as compared to a profit of RMB82.7 million in 2019, primarily due to the impact of COVID-19 pandemic on our business operations. As the COVID-19 pandemic was largely under control in most parts of China from the second half of 2020 to 2021 and we further expanded our restaurant network during this period, we recorded a profit of RMB109.4 million in 2021. In 2022, due to the resurgence of COVID-19 outbreaks, we recorded a profit of RMB30.8 million, compared to that of RMB109.4 million in 2021.

Selected Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial positions as of the dates indicated.

	As of December 31,			
	2019	2020	2021	2022
	(RMB in thousands)			
Total non-current assets	1,714,255	1,747,377	1,879,691	1,759,425
Total current assets	803,111	1,113,876	1,279,168	1,378,732
Total assets	**2,517,366**	**2,861,253**	**3,158,859**	**3,138,157**
Total non-current liabilities	629,285	957,398	990,405	918,681
Total current liabilities	790,558	807,964	940,514	961,070
Total liabilities	**1,419,843**	**1,765,362**	**1,930,919**	**1,879,751**
Net current assets	12,553	305,912	338,654	417,662
Net assets	1,097,523	1,095,891	1,227,940	1,258,406
Total equity	**1,097,523**	**1,095,891**	**1,227,940**	**1,258,406**
Equity attributable to owners of the Company	1,076,413	1,072,343	1,209,711	1,242,177
Non-controlling interests	21,110	23,548	18,229	16,229

As of December 31, 2019, 2020, 2021 and 2022, we recorded net assets of RMB1,097.5 million, RMB1,095.9 million, RMB1,227.9 million and RMB1,258.4 million, respectively. Our net assets decreased slightly from RMB1,097.5 million as of December 31, 2019 to RMB1,095.9 million as of December 31, 2020, primarily because of the losses we recorded due to the COVID-19 pandemic. Our net assets increased from RMB1,095.9 million as of December 31, 2020 to RMB1,227.9 million as of December 31, 2021, primarily attributable to the profit for the year we recorded and equity-settled share-based payments we recognized during 2021. Our net assets further increased to RMB1,258.4 million as of December 31, 2022, primarily attributable to the profit for the year we recorded in 2022.

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,				As of February 28,
	2019	2020	2021	2022	2023
	(RMB in thousands)				
					(unaudited)
Total current assets	803,111	1,113,876	1,279,168	1,378,732	1,375,556
Total current liabilities	790,558	807,964	940,514	961,185	921,792
Net current assets	12,553	305,912	338,654	417,662	453,764

As of December 31, 2019, 2020, 2021 and 2022, we recorded net current assets of RMB12.6 million, RMB305.9 million, RMB338.7 million and RMB417.7 million, respectively. Our net current assets increased from RMB12.6 million as of December 31, 2019 to RMB305.9 million as of December 31, 2020, mainly due to the Sequoia Investment in our Company in May 2020. Our net current assets remained stable at RMB338.7 million, RMB417.7 million and RMB453.8 million as of December 31, 2021 and 2022 and February 28, 2023, respectively.

See "Financial Information – Discussion of Key Items of the Consolidated Statements of Financial Position" for more details.

Selected Consolidated Cash Flow Statements

The following table sets forth selected information from our consolidated cash flow statements for the periods indicated:

	For the Year Ended December 31,			
	2019	2020	2021	2022
	(RMB in thousands)			
Net cash from operating activities	510,754	556,679	766,818	552,800
Net cash (used in)/from investing activities	(269,538)	(433,255)	(580,866)	6,589
Net cash used in financing activities	(293,157)	(30,109)	(393,021)	(367,305)
Net (decrease)/increase in cash and cash equivalents	(51,941)	93,315	(207,069)	192,084
Cash and cash equivalents at beginning of the year	294,301	242,384	318,879	110,110
Effect of foreign exchange rate changes	24	(16,820)	(1,700)	3,234
Cash and cash equivalents at end of the year	242,384	318,879	110,110	305,428

See "Financial Information – Liquidity and Capital Resources – Cash Flows" for detailed analysis.

Key Financial Ratios

The following table sets forth certain of our key financial ratios for the periods indicated:

	As of December 31,			
	2019	2020	2021	2022
Current ratio(1)	1.0	1.4	1.4	1.4
Quick ratio(2)	0.9	1.2	1.2	1.3
Liabilities to assets ratio(3)	56.4%	61.7%	61.1%	59.9%

Notes:

(1) The calculation of current ratio is based on current assets divided by current liabilities as of year end.

(2) The calculation of quick ratio is based on current assets less inventories divided by current liabilities as of year end.

(3) Liabilities to assets ratio equals total liabilities divided by total assets and multiplied by 100%.

See "Financial Information – Key Financial Ratios" for detailed analysis.

OUR PRIOR LISTING ON NYSE, CONTROLLING SHAREHOLDERS AND THE SEQUOIA INVESTMENT

In August 2007, CSC Cayman was incorporated as the then offshore holding company of our Group. CSC Cayman was later listed on the NYSE in September 2010, and was subsequently delisted in April 2016 pursuant to a privatization exercise. See "History, Development and Corporate Structure – Listing and Subsequent Privatization of CSC Cayman" for further details.

Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), each of Ms. Li and Mr. Zhang will be interested in 891,547,840 Shares through their direct shareholdings in our Company and interests in Credit Suisse Trust Limited, Seletar, Serangoon, Carolina Blue and Regal Fair, representing an aggregate of approximately [**REDACTED**]% of the issued share capital of our Company. Accordingly, Ms. Li, Mr. Zhang, Credit Suisse Trust Limited, Seletar, Serangoon, Carolina Blue and Regal Fair will be our controlling Shareholders immediately after the [**REDACTED**]. See "Relationship with Our Controlling Shareholders" for further details.

We received the Sequoia Investment from Sequoia Capital China Growth. See "History, Development and Corporate Structure – Sequoia Investment" for further details.

RSU SCHEME

We have adopted the RSU Scheme in order to incentivize directors, senior management and employees for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company. The principal terms of the RSU Scheme are summarized in "Appendix IV – Statutory and General Information – D. RSU Scheme".

[REDACTED] EXPENSES

Our [**REDACTED**] expenses mainly include professional fees paid and payable to the professional parties and [**REDACTED**] payable to the [**REDACTED**] for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. We expect to incur a total of approximately RMB[**REDACTED**] million of [**REDACTED**] expenses representing [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**] range between HK$[**REDACTED**] and HK$[**REDACTED**], and assuming that the [**REDACTED**] is not exercised), which include (i) [**REDACTED**]-related expenses of RMB[**REDACTED**] million, and (ii) non-[**REDACTED**]-related expenses of RMB[**REDACTED**] million, consisting of (a) fees and expenses of legal advisors and accountant in the amount of RMB[**REDACTED**] million, and (b) other fees and expenses in the amount of RMB[**REDACTED**] million.

During the Track Record Period, we recorded [**REDACTED**] expenses of approximately RMB[**REDACTED**] million in our consolidated statements of results of operations. We expect to incur further [**REDACTED**] expenses of approximately RMB[**REDACTED**] million upon the completion of the [**REDACTED**], out of which approximately RMB[**REDACTED**] million is expected to be charged to our consolidated statements of results of operations and approximately RMB[**REDACTED**] million is expected to be deducted from the share premium. The expenses in relation to the [**REDACTED**] are a current estimate for reference only and the amounts to be recognized in the equity and the statement of results of operation of our Group are subject to adjustment due to changes in estimates and assumptions.

APPLICATION FOR [REDACTED] OF THE SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**], the Shares in issue (including the Shares outstanding and to be issued upon conversion of the Preferred Shares) and to be issued pursuant to (i) the [**REDACTED**] and (ii) the exercise of the [**REDACTED**] on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (1) our expected market capitalization at the time of [**REDACTED**] which, based on the low end of the indicative [**REDACTED**] range, exceeds HK$4 billion, and (2) our revenue for the year ended December 31, 2022 which exceeds HK$500 million.

[REDACTED] STATISTICS

	Based on Minimum Indicative [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on Maximum Indicative [REDACTED] of HK$[REDACTED] per [REDACTED]
Our Company's market capitalization upon completion of the [REDACTED](1)	HK$[REDACTED] million	HK$[REDACTED] million
Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to owners of the Company per Share(2)	HK$[REDACTED]	HK$[REDACTED]

Notes:

(1) The calculation of the market capitalization is based on [**REDACTED**] Shares expected to be in issue immediately after completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), including (i) 1,571,125,775 existing ordinary shares in issue (which include 66,856,415 Shares held by Giant Strength, being the trustee holding the Shares on trust for the benefit of the participants of our RSU Scheme), (ii) 100,284,620 Shares converted from Preferred Shares on a one-to-one basis by way of re-designation before the [**REDACTED**], and (iii) [**REDACTED**] Shares to be issued under the [**REDACTED**].

(2) The unaudited [**REDACTED**] adjusted net tangible assets attributable to owners of the Company per Share has been arrived at after adjustments referred to in "Appendix II – Unaudited [**REDACTED**] Financial Information" and on the basis of [**REDACTED**] Shares in issue at the respective indicative [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**], assuming that the Shares issued pursuant to the [**REDACTED**] were issued on December 31, 2022 (assuming the [**REDACTED**] is not exercised). No adjustment has been made to the unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to owners of the Company to reflect any trading results or other transaction entered into subsequent to December 31, 2022. In particular, the unaudited [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company have not been adjusted to illustrate the effect of the conversion of Preferred Shares into ordinary shares. The conversion of Preferred Shares would then have reclassified RMB369,973,000 from liability to equity as at December 31, 2022. Had the conversion of Preferred Shares been completed on December 31, 2022, the unaudited [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to the owner of the Company would have been RMB2,786,697,000 and RMB3,202,239,000 based on indicative [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**], respectively. The conversion of Preferred Shares and issuance of new Shares to the shareholder of the Company would have also increased the total Shares in issue assumption by 100,284,620 Shares to a total of [**REDACTED**] Shares in issue.

The adjustment to the unaudited [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company after the conversion of Preferred Shares would be RMB1.47 (equivalent to HK$1.68) and RMB1.69 (equivalent to HK$1.93), assuming the indicative [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] and HK$[**REDACTED**] per [**REDACTED**] respectively, and assuming the amounts denominated in RMB could have been converted into HK$ at the rate of RMB0.8754 to HK$1, which was the exchange rate prevailing on March 27, 2023 with reference to the rate published by the People's Bank of China.

Total Shares expected to be in issue immediately after completion of the [**REDACTED**] is [**REDACTED**], which is different from [**REDACTED**] Shares adopted in the calculation of unaudited [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2022 per Share (Note 3 of page II-2) as it excludes (i) 66,856,415 Shares issued and held by trust as it represented the treasury stock held by the Company which not yet granted under the RSU Scheme, and (ii) the conversion of Preferred Shares of 100,284,620 into ordinary shares prior to the [**REDACTED**].

FUTURE PLANS AND USE OF [REDACTED]

We estimated the net [**REDACTED**] of the [**REDACTED**] which we will receive, if the [**REDACTED**] is not exercised, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range), will be approximately HK$[**REDACTED**] million, after deducting [**REDACTED**], fees and estimated expenses payable by us in connection with the [**REDACTED**].

We intend to apply the net [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set out below:

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used from 2023 to 2025 to expand our restaurant network, deepen our market penetration and refurbish our existing restaurants as needed;

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used from 2023 to 2025 to strengthen our supply chain capabilities to support our expansion;

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used from 2023 to 2024 to enhance our technology capabilities, with a goal to further improve our operational efficiency; and

- the remaining approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for general corporate purposes.

See "Future Plans and Use of [**REDACTED**]".

DIVIDENDS

During the Track Record Period, we did not pay or declare any dividend. According to our dividend policy, the Articles of Association and applicable laws and regulations, the determination to pay dividends will be made at the discretion of our Directors and will depend upon, among others, the financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Directors may consider relevant. We do not have a pre-determined dividend payout ratio. We will continue to re-evaluate our dividend policy in light of our financial condition and the prevailing economic environment. See "Financial Information – Dividends".

HISTORICAL NON-COMPLIANCE

We had certain non-compliance incidents during the Track Record Period relating to (i) fire safety inspection approvals, and (ii) contribution to social insurance and housing provident funds.

During the Track Record Period, we failed to obtain the Fire Safety Inspection Approvals for certain of our restaurants before they commenced operations. As of December 31, 2019, 2020 and 2021, we had 136, 149 and 109 restaurants, respectively, that failed to obtain the Fire Safety Inspection Approvals, which contributed 14.1%, 12.7% and 8.6% of our total revenue in the respective periods. As of December 31, 2022 and up to the Latest Practicable Date, all of our restaurants in operation had been in compliance with laws and regulations with respect to the Fire Safety Inspection Approvals.

We engaged a Fire Safety Consultant, Guangdong Huayi Security Safety Check Co., Ltd. (廣東華誼消防安全檢測有限公司), to conduct fire safety inspections on the restaurants that had not then obtained the Fire Safety Inspection Approvals as of November 2021. Our Fire Safety Consultant carried out a complete review and inspection of these restaurants and operations through on-site inspection, survey and document review between November 2021 and January 2022, covering the inspection scope and aspects that are substantially similar to what would be conducted by a competent government authority for us to obtain the required Fire Safety Inspection Approvals. We implemented a series of internal control measures in relation to fire safety during the Track Record Period and up to the Latest Practicable Date to ensure the fire safety of our restaurant before the commencement of the operation, including (i) engaging professional fire safety infrastructure construction companies and qualified fire safety engineers before opening new restaurants, (ii) installing essential fire safety equipment at our our restaurants in accordance with applicable PRC laws and regulations, (iii) implementing standard operating procedures and formulating evacuation plans in the event of fire alarm, (iv) promoting the use of safe building and decoration materials and electrical appliances and (v) carrying public liability insurance to cover potential property damage and personal injury or death suffered by third parties. Since December 2021, we have also taken further measures recommended by our independent internal control consultant to mitigate our risk exposure to latent fire safety issues and prevent re-occurrence of non-compliance incidents, focusing on our fire safety policies, employee education, licenses and certificates management, and licenses and certificates personnel. After taking into account the enhanced internal control measures on fire safety control and management and the fact that we have timely obtained the required Fire Safety Inspection Approvals for all new restaurants opened since December 2021, our Directors are of the view that our Group's enhanced internal control on fire safety measures are adequate, effective and sufficient to ensure our Group's compliance. Going forward, our restaurants will only commence operation after the restaurants have obtained the respective Fire Safety Inspection Approvals as required by applicable PRC laws and regulations.

See "Business – Licenses and Compliance with Laws and Regulations" for more details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since December 31, 2022 (being the end of the period reported on in the Accountants' Report set out in Appendix I to this document) and there is no event since December 31, 2022 which would materially affect the information shown in our audited consolidated financial information included in the Accountants' Report in Appendix I to this document apart from those discussed above.