Domino's Pizza
达美乐比萨

# DPC Dash Ltd
# 达势股份有限公司

(Incorporated in the British Virgin Islands with limited liability)
Stock Code : 1405

# GLOBAL OFFERING

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

BofA SECURITIES

Joint Lead Manager

DBS

Financial Advisor

AMPERE PARTNERS

# IMPORTANT

*If you are in any doubt about any of the contents in this document, you should obtain independent professional advice.*

# DPC Dash Ltd

# 达势股份有限公司

*(Incorporated in the British Virgin Islands with limited liability)*

## GLOBAL OFFERING

| | | |
|---|---|---|
| **Number of Offer Shares under the Global Offering** | **:** | **11,350,000 Shares (subject to the Over-allotment Option)** |
| **Number of Hong Kong Public Offer Shares** | **:** | **1,135,000 Shares (subject to reallocation)** |
| **Number of International Offer Shares** | **:** | **10,215,000 Shares (subject to reallocation and the Over-allotment Option)** |
| **Maximum Offer Price** | **:** | **HK$50.0 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars, subject to refund)** |
| **Nominal value** | **:** | **US$1.00 per Share** |
| **Stock code** | **:** | **1405** |

**Sole Sponsor, Sole Overall Coordinator, Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager**

BofA SECURITIES

**Joint Lead Manager**

DBS

**Financial Advisor**

AMPERE PARTNERS

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

The Offer Price is expected to be fixed by agreement between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, December 16, 2022 and, in any event, not later than Thursday, December 22, 2022. The Offer Price will be no more than HK$50.0 per Offer Share and is currently expected to be no less than HK$46.0 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed by Thursday, December 22, 2022 between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

**The Sole Overall Coordinator may, with the Company's consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. See "Structure of the Global Offering" and "How to apply for Hong Kong Public Offer Shares" for more details.**

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Grounds for termination" for more details.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in "Risk factors".

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered or sold within or to the United States, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (i) solely to QIBs pursuant to an exemption from registration under Rule 144A of the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S.

December 13, 2022

**IMPORTANT NOTICE TO INVESTORS:**

**FULLY ELECTRONIC APPLICATION PROCESS**

**The Hong Kong Public Offering is being conducted in a fully electronic manner and no printed copies of this prospectus or application forms for use by the public will be provided by the Company in accordance with the Listing Rules.**

This prospectus is available at the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at **www.dpcdash.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above. If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

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

(1) apply online via the **White Form eIPO** service **www.eipo.com.hk**; or

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

   (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf; or

   (ii) (if you are a **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (following the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request form.

We will not provide any physical channels to accept any application for the Hong Kong Public Offer Shares by the public. The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

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

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Public Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

**DPC Dash Ltd**

**(HK$50.0 per Hong Kong Public Offer Share)**

**NUMBER OF HONG KONG PUBLIC OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS**

| No. of Hong Kong Public Offer Shares applied for | Amount payable on application *HK$* | No. of Hong Kong Public Offer Shares applied for | Amount payable on application *HK$* | No. of Hong Kong Public Offer Shares applied for | Amount payable on application *HK$* | No. of Hong Kong Public Offer Shares applied for | Amount payable on application *HK$* |
|---|---|---|---|---|---|---|---|
| 100 | 5,050.40 | 2,000 | 101,007.85 | 10,000 | 505,039.25 | 80,000 | 4,040,314.00 |
| 200 | 10,100.79 | 2,500 | 126,259.82 | 15,000 | 757,558.88 | 90,000 | 4,545,353.25 |
| 300 | 15,151.18 | 3,000 | 151,511.78 | 20,000 | 1,010,078.50 | 100,000 | 5,050,392.50 |
| 400 | 20,201.57 | 3,500 | 176,763.74 | 25,000 | 1,262,598.13 | 200,000 | 10,100,785.00 |
| 500 | 25,251.97 | 4,000 | 202,015.70 | 30,000 | 1,515,117.75 | 300,000 | 15,151,177.50 |
| 600 | 30,302.36 | 4,500 | 227,267.67 | 35,000 | 1,767,637.38 | 400,000 | 20,201,570.00 |
| 700 | 35,352.75 | 5,000 | 252,519.63 | 40,000 | 2,020,157.00 | 500,000 | 25,251,962.50 |
| 800 | 40,403.14 | 6,000 | 303,023.55 | 45,000 | 2,272,676.63 | 567,500(1) | 28,660,977.44 |
| 900 | 45,453.54 | 7,000 | 353,527.48 | 50,000 | 2,525,196.25 | | |
| 1,000 | 50,503.93 | 8,000 | 404,031.40 | 60,000 | 3,030,235.50 | | |
| 1,500 | 75,755.89 | 9,000 | 454,535.33 | 70,000 | 3,535,274.75 | | |

*Note:*

(1) Maximum number of Hong Kong Public Offer Shares you may apply for.

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

# EXPECTED TIMETABLE[1]

*If there is any change in the following expected timetable, we will issue an announcement to be published on the websites of the Company at **www.dpcdash.com** and the Stock Exchange at **www.hkexnews.hk**.*

**Date[1]**

Hong Kong Public Offering commences . . . . . .9:00 a.m. on Tuesday, December 13, 2022

Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] . . . . . .11:30 a.m. on Friday, December 16, 2022

Application lists open[3] . . . . . .11:45 a.m. on Friday, December 16, 2022

Latest time for (a) completing payment for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[4] . . . . . .12:00 noon on Friday, December 16, 2022

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close[3] . . . . . .12:00 noon on Friday, December 16, 2022

Expected Price Determination Date[5] . . . . . .Friday, December 16, 2022

(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares under the Hong Kong Public Offering to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.dpcdash.com**[6] on or before . . . . . Thursday, December 22, 2022

(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- in the announcement to be posted on our website and the website of the Stock Exchange at **http://www.dpcdash.com** and **www.hkexnews.hk**, respectively . . . . . .Thursday, December 22, 2022

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from . . . . . .8:00 a.m. on Thursday, December 22, 2022 to 12:00 midnight on Wednesday, December 28, 2022

- from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on . . . . . Thursday, December 22, 2022, Friday, December 23, 2022, Wednesday, December 28, 2022, and Thursday, December 29, 2022

Share certificates in respect of wholly or partially successful applications to be dispatched/collected or deposited into CCASS on or before[7][9] . . . . . Thursday, December 22, 2022

White Form e-Refund payment instructions/refund checks in respect of (i) wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and (ii) wholly or partially unsuccessful application under the Hong Kong Public Offering to be dispatched/collected on or before[8][9] . . . . . .Thursday, December 22, 2022

Dealings in the Shares on the Stock Exchange expected to commence . . . . . .at 9:00 a.m. on Friday, December 23, 2022

*Notes:*

(1) All times refer to Hong Kong local time, except as otherwise stated.

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

(3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, December 16, 2022, the application lists will not open and close on that day. See "How to apply for Hong Kong Public Offer Shares – Effect of bad weather and Extreme Conditions on the opening and closing of the application lists".

(4) Applicants who apply for the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your **broker** or **custodian** to apply on your behalf via CCASS should refer to "How to apply for Hong Kong Public Offer Shares – Applying through CCASS EIPO service".

(5) The Price Determination Date is expected to be on or around Friday, December 16, 2022 and, in any event, not later than Thursday, December 22, 2022. If, for any reason, the pricing of the Offer Shares is not agreed by Thursday, December 22, 2022 between us and the Sole Overall Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

(6) None of the websites set out in this section or any of the information contained on the websites forms part of this prospectus.

(7) The Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Grounds for termination" has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

(8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and in respect of wholly or partially successful applicants in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.

(9) Applicants who have applied on **White Form eIPO** for 100,000 or more Hong Kong Public Offer Shares may collect any refund checks (where applicable) and/or share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, December 22, 2022 or such other date as notified by us as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Public Offer Shares through CCASS EIPO service should refer to the section headed "How to apply for Hong Kong Public Offer Shares – Dispatch/collection of share certificates/e-Refund payment instructions/refund checks – Personal collection – if you apply through CCASS EIPO service" for details.

Applicants who have applied through the White Form eIPO service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the White Form eIPO service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk. Share certificates and/or refund checks for applicants who have applied for less than 100,000 Hong Kong Public Offer Shares and any uncollected share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

**The above expected timetable is a summary only. You should refer to "Structure of the Global Offering" and "How to apply for Hong Kong Public Offer Shares" for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Public Offer Shares.**

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

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**IMPORTANT NOTICE TO PROSPECTIVE INVESTORS**

*This document is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this document pursuant to the Hong Kong Public Offering. This document may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstance. No action has been taken to permit a public offering of the Hong Kong Public Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document for purposes of a public offering and the offering and sale of the Hong Kong Public Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this document and the GREEN Application Form to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this document and the GREEN Application Form. We have not authorised anyone to provide you with information that is different from what is contained in this document and the GREEN Application Form. Any information or representations not contained or made in this document and the GREEN Application Form must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives, or any other parties involved in the Global Offering.*


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*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. Moreover, there are risks associated with any investment. Some of the particular risks of investing in our Shares are set out in "Risk factors". You should read the entire document carefully before you decide to invest in our Shares. Various expressions used in this section are defined in the sections headed "Definitions" and "Glossary of technical terms".*

## OVERVIEW

### Who we are

We are Domino's Pizza's exclusive master franchisee in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China. As of the Latest Practicable Date, we directly operated 569 stores across 14 cities in the China mainland.

Our global franchisor, Domino's Pizza, Inc., is the world's largest pizza company in terms of 2021 global retail sales, with more than 19,500 stores in over 90 markets around the world as of September 11, 2022. Over its 62-year history, Domino's has developed a differentiated business model focused on serving handcrafted, quality pizza at a competitive price, with easy ordering access and efficient delivery, enhanced by technology.

We have adapted and built upon the Domino's business model by localizing its key features for China and its consumers. Since 2018, when most of our current core executive management team joined our Company, we have been focused on expanding our store network. This has enabled us to become the fastest growing among China's top five pizza brands, as well as the third largest in terms of 2021 revenue, according to the Frost & Sullivan Report. Over the Track Record Period, the number of our stores increased by 170% to 508 stores as of June 30, 2022. Against the backdrop of this rapid growth, we incurred net losses during the Track Record Period. We may continue to incur net losses in the future, including during the next three to five years, and may not become profitable. We plan to continue our rapid growth while working towards long-term profitability, as we believe a broad, nationwide store network is key to our future success and competitiveness. In the long term, our goal is to become the number one pizza company in China, as other Domino's Pizza's franchisees have done in Asia, Europe and North America.

We have operated Domino's Pizza stores since December 2010, when we acquired Pizzavest China Ltd., which at that time was Domino's Pizza's master franchisee in Beijing, Tianjin, Shanghai, Jiangsu Province and Zhejiang Province. In June 2017, we renewed the Master Franchise Agreement with Domino's International, a subsidiary of Domino's Pizza, Inc., under which our franchise area was extended to the entire China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China, with an initial term of 10 years, which may be renewed at our option for two additional 10-year terms, subject to the fulfillment of certain conditions.

### Our market opportunity

The China pizza market is large, fast-growing and in an early stage of development. In 2021, its market size was RMB36.4 billion, which is expected to double and reach RMB68.9 billion by 2026, representing a CAGR of 13.6%, according to the Frost & Sullivan Report. Moreover, the China pizza market remains underserved compared to other East Asian markets, which have similar food cultures to China. For example, in 2021, there were only 10.9 pizza stores per million people in China, compared to 28.1 and 28.3 in Japan and South Korea, respectively, according to the Frost & Sullivan Report.

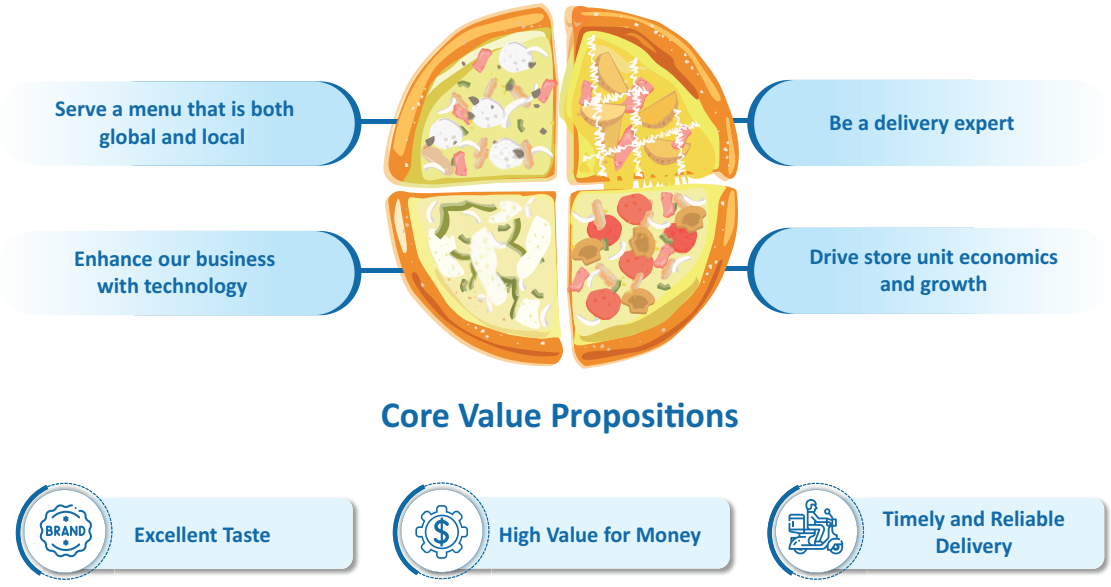
Within the China pizza market, the pizza delivery segment is expected to grow even faster than the overall China pizza market. In 2021, delivery sales amounted to RMB17.9 billion, accounting for 49.2% of the overall China pizza market. From 2021 to 2026, the pizza delivery segment is expected to grow at a CAGR of 19.9% and reach RMB44.3 billion, accounting for 64.3% of the overall China pizza market, according to the Frost & Sullivan Report.

The growth of the China pizza market, as well as the pizza delivery segment, will be driven by increasing disposable incomes and urbanization in China, the growing popularity of pizza among Chinese consumers, and the increased popularity of food delivery services, according to the Frost & Sullivan Report.

We believe that the China pizza market offers a significant market opportunity with significant whitespace for our continued and rapid growth. Additionally, by leveraging our business model, which has enabled us to more than double our market share from 2017 to 2021, we believe that we will continue to capture a growing share of the China pizza market in the future.

**Our business model**

We are focused on being a pizza expert. By combining the globally recognized Domino's playbook with our knowledge of China, we have developed a unique business model that is purpose-built for serving Chinese consumers delicious, value for money pizza through online channels, with an emphasis on delivery, enhanced by technology. We believe this model is one that sets us apart from our competitors in China, one that has its own Chinese flavors, and one that we believe will ultimately lead us to become China's leading pizza company. The graphic below illustrates the key features and the core values of our unique business model.




The key components of our business model are:

- *Serve a menu that is both global and local.* Our menu infuses the classic, globally-renowned taste of Domino's Pizza with local flavors. It includes classic western favorites, such as pepperoni pizza, as well as offerings designed for Chinese palates, such as our teriyaki beef and potato pizza (照燒風味牛肉土豆比薩). We strategically launch new and creative products to satisfy the evolving preferences of Chinese consumers. Our menu is supported by our supply chain management, logistics management and quality assurance systems, which ensure a high and consistent level of food safety and quality.

- *Be a delivery expert.* We are relentlessly focused on providing our customers with a differentiated delivery experience. To that end, we offer customers a 30-minute delivery promise, which we stand behind by gifting them coupons if we do not fulfill their delivery order within 30 minutes from the time they place their order. We also use a fleet of dedicated delivery riders, which we believe enables us to deliver higher-quality food in a more timely and reliable manner than our competitors. We are the only pizza company in China to have a 30-minute delivery promise serving customers across all sales channels, according to the Frost & Sullivan Report. During the Track Record Period, we fulfilled our delivery promise for approximately 90% of our delivery orders, with an average order fulfillment time of approximately 23 minutes.

- *Enhance our business with technology.* Technology enhances our end-to-end operations, and we enjoy market-leading online order contribution, with approximately 95% of our delivery, carryout and dine-in orders in 2021 and the first half of 2022 placed online, higher than the industry average of less than 70%, according to the Frost & Sullivan Report. To attract customers, we use intelligent marketing strategies powered by data insights. We make order placement easy for customers through our intuitive online channels. Our proprietary customer data platform enables us to understand and serve our customers' specific needs, helping us attract more repeat customers. These customer-facing technologies are complemented by our delivery and supply chain management technologies, which enhance our operations by helping to ensure the quality and safety of our ingredients, as well as the timeliness and reliability of our deliveries.

- *Drive store unit economics and growth.* Our store economic model has provided the foundation for our fast-growing store network and improving profitability in the Track Record Period, and we believe it will enable our continued expansion throughout China.

**Our operating and financial results**

We have leveraged our unique, focused business model to deliver a track record of rapid growth and improving profitability during the Track Record Period, as evidenced by the following metrics:

- *Revenues.* Our revenues increased by 32.0% from RMB836.6 million in 2019 to RMB1,104.1 million in 2020, and further increased by 45.9% to RMB1,611.3 million in 2021. Our revenues increased by 18.6% from RMB766.6 million for the six months ended June 30, 2021 to RMB908.8 million for the six months ended June 30, 2022.

- *Number of stores.* Over the course of the Track Record Period, the number of stores in our network, all of which were directly operated by us, grew from 188 stores as of January 1, 2019 to 508 stores as of June 30, 2022, representing an increase of 170%.

- *Same-store sales growth.* We recorded SSSG of 7.3%, 9.0%, 18.7% and 13.9% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We recorded positive SSSG during every quarter in the Track Record Period.

- *Group-level profitability.* During the Track Record Period, amidst the rapid expansion of our store network, we recorded net losses of RMB181.6 million, RMB274.1 million, RMB471.1 million and RMB95.5 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We recorded adjusted net losses (non-IFRS measure) of RMB168.2 million, RMB199.8 million, RMB143.3 million and RMB68.9 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, and our adjusted EBITDA (non-IFRS measure) improved from losses of RMB33.2 million and RMB17.6 million for 2019 and 2020, respectively, to earnings of RMB62.7 million and RMB55.6 million in 2021 and the six months ended June 30, 2022, respectively.

Over the past few years, in conjunction with our pursuit of long-term development and growth, we have devoted considerable resources to research potential new markets, open more stores and central kitchens, market and promote our brand, invest and train our store-level staff in preparation for the opening and operations of more new stores, broaden our service offerings and invest in technology, which has led to us recording net losses during the Track Record Period. There is no guarantee that we can effectively control our costs and expenses and achieve or maintain profitability in the future.

## OUR DOMINO'S PIZZA STORES

We directly operate an extensive and rapidly-growing network of Domino's Pizza stores that are optimized for serving our customers through online channels via delivery and carryout services. Our store economic model has enabled us to rapidly grow our store network while improving our profitability, and we believe we can replicate the model in new markets across China.

### Our Domino's Pizza store network

We directly operated 569 Domino's Pizza stores in 14 cities in China as of the Latest Practicable Date. As of the same date, approximately 53% of our stores were located in Beijing and Shanghai, where the Domino's Pizza brand has been operating for approximately 25 and 15 years, respectively, and enjoy strong brand awareness. The remainder of our stores are located across China's Tier 1, New Tier 1 and Tier 2 cities. We collectively refer to our markets other than Beijing and Shanghai as our "new growth markets". We believe that our successful growth in Beijing and Shanghai, which are among the most competitive cities for catering companies, is a testament to our ability to succeed in our new growth markets. The following table shows the number of our stores by city as of the dates indicated:

| | As of December 31, | | | As of June 30, | As of the Latest Practicable Date |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | |
| Beijing | 81 | 100 | 124 | 136 | 148 |
| Shanghai | 99 | 121 | 143 | 147 | 155 |
| Shenzhen | 24 | 44 | 64 | 67 | 69 |
| Guangzhou | 7 | 21 | 41 | 44 | 49 |
| Tianjin | 17 | 25 | 35 | 39 | 44 |
| Hangzhou | 17 | 22 | 26 | 29 | 33 |
| Nanjing | 14 | 18 | 18 | 23 | 31 |
| Suzhou | 8 | 9 | 9 | 10 | 14 |
| Wuxi | 1 | 3 | 7 | 7 | 8 |
| Ningbo | – | – | 1 | 2 | 4 |
| Foshan | – | – | – | 3 | 6 |
| Dongguan | – | – | – | 1 | 6 |
| Zhuhai | – | – | – | – | 1 |
| Zhongshan | – | – | – | – | 1 |
| **Total** | **268** | **363** | **468** | **508** | **569** |

Since most of our current core executive management team joined us in 2018, the number of stores in our store network has grown rapidly. The total number of our stores increased from 188 at the beginning of the Track Record Period to 468 as of December 31, 2021, representing a three-year CAGR of 35.5%, before further increasing to 508 as of June 30, 2022. We attribute this rapid growth to our commitment to rapidly growing our store network, supported by our efficient store economic model as we deepen our penetration in our existing markets and expand to new markets.

We believe that there are a vast number of locations in China where we can successfully open new stores. We plan to continue to grow our presence in China by expanding our geographic coverage and deepening our market penetration. As of the Latest Practicable Date, we have opened 101 (net of closures) of the 120 stores that we plan to open in 2022 and have signed the leases and commenced the furnishing and preparatory work for the remaining 19 stores. We have adopted a plan to open approximately 120 and 180 new stores in 2022 and 2023, adding to the 468 stores we had as of December 31, 2021. Given the vast number of potential store locations in China, we expect we will open between approximately 200 and 300 new stores in each of 2024, 2025 and 2026.

For more details, see "Business – Our Domino's Pizza stores – Our Domino's Pizza store network".

**The operating performance of our Domino's Pizza stores**

***Key performance indicators***

We use a number of financial measures and operating metrics to evaluate the performance of our Domino's Pizza stores. The key performance indicators that we use are set forth in the table below for the periods or as of the dates indicated:

| | For the year ended or as of December 31, | | | For the six months ended or as of June 30, | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| **Number of stores** | | | | | |
| Beijing and Shanghai | 180 | 221 | 267 | 249 | 283 |
| New growth markets[3] | 88 | 142 | 201 | 166 | 225 |
| **Total** | **268** | **363** | **468** | **415** | **508** |
| **Revenue (RMB in millions)** | | | | | |
| *By market* | | | | | |
| Beijing and Shanghai | 702 | 869 | 1,147 | 554 | 580 |
| New growth markets[3] | 135 | 235 | 464 | 213 | 329 |
| **Total[1]** | **837** | **1,104** | **1,611** | **767** | **909** |
| **Average daily sales per store[2] (RMB)** | | | | | |
| *By market* | | | | | |
| Beijing and Shanghai | 12,009 | 12,122 | 12,781 | 12,968 | 13,974 |
| New growth markets[3] | 5,892 | 6,002 | 7,617 | 7,616 | 8,705 |
| **All markets** | **10,292** | **9,962** | **10,692** | **10,854** | **11,462** |
| **Average orders per store per day[4] (#)** | | | | | |
| *By market* | | | | | |
| Beijing and Shanghai | 147 | 140 | 138 | 142 | 139 |
| New growth markets[3] | 79 | 75 | 89 | 91 | 100 |
| **All markets** | **128** | **117** | **118** | **122** | **120** |
| **Average sales value per order[5] (RMB)** | | | | | |
| *By market* | | | | | |
| Beijing and Shanghai | 81.6 | 86.6 | 92.6 | 91.3 | 100.3 |
| New growth markets[3] | 74.5 | 80.0 | 85.6 | 83.6 | 87.2 |
| **All markets** | **80.4** | **85.1** | **90.5** | **89.0** | **95.1** |
| **Store-level operating profit[6] (RMB'000)** | | | | | |
| *By market* | | | | | |
| Beijing and Shanghai | 94,202 | 124,016 | 212,170 | 103,674 | 102,086 |
| New growth markets[3] | (19,642) | (35,471) | (11,954) | (3,739) | 17,611 |
| **All markets** | **34,221** | **38,073** | **143,926** | **71,844** | **83,325** |
| **Store-level operating profit margin[7] (%)** | | | | | |
| *By market* | | | | | |
| Beijing and Shanghai | 13.4 | 14.3 | 18.5 | 18.7 | 17.6 |
| New growth markets[3] | (14.6) | (15.1) | (2.6) | (1.8) | 5.4 |
| **All markets** | **4.1** | **3.4** | **8.9** | **9.4** | **9.2** |

*Notes:*

(1) Amounts may not foot due to rounding.

(2) Calculated by dividing the revenues generated from the relevant store for a particular period by the aggregate number of days of operation of such store during the same period.

(3) "New growth markets" refer to Shenzhen, Guangzhou, Hangzhou, Tianjin, Nanjing, Suzhou, Wuxi, Ningbo, Foshan, Dongguan, Zhuhai and Zhongshan.

(4) Calculated by dividing the aggregate number of orders placed by customers with the store for a particular period by the aggregate number of days of operation of such store during the same period.

(5) Calculated by dividing the revenues generated from the relevant store for a particular period by the aggregate number of orders placed by customers with such store during the same period.

(6) Represents revenue less operational costs incurred at the store level, comprising salary-based expense, raw materials and consumables cost, depreciation of right-of-use assets, depreciation of plant and equipment, amortization of intangible assets, variable lease rental payment and short-term rental expenses, utilities expenses, advertising and promotion expenses, store operating and maintenance expenses and other expenses. Store-level operating profit for a given market excludes unallocated costs, which primarily represent the operation costs incurred from our central kitchens, our call center and staff training expenses in anticipation of new store openings, all of which are not allocable to any particular market, and are therefore excluded from store-level operating profit by market. In 2019, 2020 and 2021, these unallocated costs amounted to RMB40.3 million, RMB50.5 million and RMB56.3 million, representing 4.8%, 4.6%, and 3.5% of revenue, respectively. In the six months ended June 30, 2021 and 2022, these unallocated costs amounted to RMB28.1 million and RMB36.4 million, representing 3.7% and 4.0% of revenue, respectively.

(7) Calculated by dividing store-level operating profit by revenue for the same period. Store-level operating profit margin for a given market is calculated by dividing store-level operating profit (excluding unallocated costs) by total revenue, in each case for that market and that year, and multiplying the result by 100%. For details about unallocated costs, please refer to footnote (6) above.

Stores of older vintages generally recorded higher average daily sales per store during the Track Record Period, primarily because these stores have had sufficient time to ramp up and develop strong brand awareness with nearby consumers, resulting in a larger base of customers that drive sales volume at our stores. The following table sets forth average daily sales per store by year of opening during the Track Record Period:

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| **Average daily sales per store[(1)] (RMB)** | | | | | |
| *By year of opening* | | | | | |
| **Stores opened before 2019:** | | | | | |
| Beijing and Shanghai | 12,385 | 13,363 | 15,239 | 15,265 | 16,883 |
| New growth markets | 5,980 | 7,022 | 9,361 | 9,208 | 10,847 |
| **All markets** | **10,857** | **11,844** | **13,844** | **13,807** | **15,277** |
| **Stores opened in 2019:** | | | | | |
| Beijing and Shanghai | 9,120 | 9,162 | 10,864 | 10,811 | 13,057 |
| New growth markets | 5,677 | 5,191 | 7,706 | 7,502 | 9,490 |
| **All markets** | **7,415** | **7,058** | **9,203** | **9,070** | **11,062** |
| **Stores opened in 2020:** | | | | | |
| Beijing and Shanghai | * | 9,029 | 8,965 | 8,909 | 10,804 |
| New growth markets | * | 5,532 | 6,423 | 6,423 | 7,669 |
| **All markets** | * | **7,234** | **7,565** | **7,541** | **8,937** |
| **Stores opened in 2021:** | | | | | |
| Beijing and Shanghai | * | * | 9,042 | 9,586 | 10,071 |
| New growth markets | * | * | 7,100 | 7,595 | 7,160 |
| **All markets** | * | * | **8,040** | **8,666** | **8,292** |
| **Stores opened in 2022:** | | | | | |
| Beijing and Shanghai | * | * | * | * | 10,025 |
| New growth markets | * | * | * | * | 10,804 |
| **All markets** | * | * | * | * | **10,486** |
| **All stores:** | | | | | |
| Beijing and Shanghai | 12,009 | 12,122 | 12,781 | 12,968 | 13,974 |
| New growth markets | 5,892 | 6,002 | 7,617 | 7,616 | 8,705 |
| **All markets** | **10,292** | **9,962** | **10,692** | **10,854** | **11,462** |

*Notes:*

* Not applicable.

(1) Calculated by dividing the revenues generated from the relevant store for a particular period by the aggregate number of days of operation of such store during the same period.

***Same-store performance***

The following table sets forth the details of our same-store sales for our Domino's Pizza stores during the Track Record Period. These are important metrics that our management tracks in evaluating our same-store performance. For purposes of calculating same-store sales growth, or SSSG, between two years (or periods), we define same stores as those Domino's Pizza stores that were open for at least 18 months as of the end of the latter year (or period). Only sales generated by a store after it qualifies as a same store are used in the calculation of SSSG, and such sales are compared against the sales generated by that store in the comparable days of the prior period.

| | For the years ended December 31, | | For the years ended December 31, | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2020 | 2021 | 2021 | 2022 |
| **Number of same stores (#)** | | | | | | |
| *By market* | | | | | | |
| Beijing and Shanghai | 157 | | 195 | | 221 | |
| New growth markets[(1)] | 60 | | 106 | | 139 | |
| **Total** | **217** | | **301** | | **360** | |
| **Same-store sales[(2)] (RMB in millions)** | | | | | | |
| *By market* | | | | | | |
| Beijing and Shanghai | 623.9 | 671.8 | 801.0 | 914.7 | 426.2 | 472.0 |
| New growth markets[(1)] | 89.1 | 105.1 | 188.6 | 259.7 | 167.1 | 204.0 |
| **Total** | **713.0** | **776.9** | **989.6** | **1,174.5** | **593.3** | **676.0** |
| **SSSG (%)** | | | | | | |
| *By market* | | | | | | |
| Beijing and Shanghai | 7.7 | | 14.2 | | 10.7 | |
| New growth markets[(1)] | 18.0 | | 37.7 | | 22.1 | |
| **All markets** | **9.0** | | **18.7** | | **13.9** | |

*Notes:*

(1) "New growth markets" refer to Shenzhen, Guangzhou, Hangzhou, Tianjin, Nanjing, Suzhou, Wuxi, Ningbo, Foshan, Dongguan, Zhuhai and Zhongshan.

(2) Represents the revenue of all stores in our store network that qualify as same stores during the period indicated.

For more details, see "Business – Our Domino's Pizza stores – The operating performance of our Domino's Pizza stores".

## MASTER FRANCHISE ARRANGEMENTS

We operate our stores pursuant to the Master Franchise Agreement between our Group and Domino's International. Pursuant to the Master Franchise Agreement, we have the exclusive right to set up and operate Domino's Pizza stores, as well as to use and license the Domino's Pizza and associated trademarks in the operation of pizza stores in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China. In return, we are required to pay to Domino's International (a) a master franchise fee, (b) store franchise fees, and (c) royalty fees, in accordance with the terms of the Master Franchise Agreement. The initial term of the Master Franchise Agreement will expire on June 1, 2027, but may be renewed at our option for two additional 10-year terms, subject to the fulfillment of certain conditions. Domino's International may also terminate the Master Franchise Agreement upon the occurrence of certain events, such as if we fail to timely make payments or fail to meet certain growth targets, in each case as required by the Master Franchise Agreement.

For more information about our master franchise arrangements, see "Risk factors – we rely significantly on our Master Franchise Agreement with Domino's International for our business operations", "Business – Master Franchise Arrangements", "History, reorganization and corporate structure – Master Franchise Agreement" and "Connected transactions – Master Franchise Arrangements".

## OUR COMPETITIVE STRENGTHS

The following strengths have enabled us to become who we are today and will support our continued success:

- Our leading global brand;
- A pizza-focused menu that is continually being developed and localized;
- Our unique expertise and leadership in delivery;
- Our technology, which enables a differentiated end-to-end customer experience;
- Our store economic model's success and replicability;
- Our close relationship with the global Domino's system; and
- Our seasoned and visionary management team with strong execution capabilities.

## OUR GROWTH STRATEGIES

Our vision is to become China's number one pizza brand. Our mission is to operate a nationwide Domino's Pizza store network, powered by technology and excellence in delivery, that offers Chinese consumers great taste, timely and reliable delivery and high value for money. To execute on our mission and realize our vision, we intend to pursue the following strategies:

- Rapidly increase the number of our stores;
- Promote our brand and strengthen customer loyalty;

- Further enhance our technology;
- Strengthen our pizza-focused, value for money menu; and
- Enhance our delivery leadership.

## RISK FACTORS

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

- We incurred net losses during the Track Record Period, will continue to incur net loss in 2022, and may not be able to maintain or increase the sales volume of our existing stores, control our costs and expenses and achieve or maintain profitability in the future.
- Opening new stores could adversely affect our financial condition.
- Although we have grown rapidly, we cannot assure you that we will continue to grow at the same pace, or at all.
- Our business is affected by changes in consumer tastes and dining preferences, and we may not be able to anticipate, identify and react to these changes in a timely manner or at all.
- Our success depends on the awareness and popularity of our Domino's Pizza brand, and any damage to our brand, whether in our existing markets or new markets, could materially and adversely affect our business and results of operations.
- We are susceptible to outbreak, epidemic or pandemic of infectious or contagious diseases such as the COVID-19 pandemic, diseases of animals, food-borne illnesses as well as negative publicity relating to such incidents.
- Any failure to maintain effective quality control systems of our stores could have a material adverse effect on our business and operations.
- We rely significantly on our Master Franchise Agreement with Domino's International for our business operations.
- We may in the future incur intangible asset impairment charges. Significant impairment of our intangible assets, which primarily include our master franchise agreement and goodwill, could materially and adversely impact our financial position and results of operations.

## SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I. The summary of consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this documents, including the related notes. Our consolidated financial information has been prepared in accordance with IFRS.

### Summary of Consolidated Statements of Comprehensive Income

| | For the Year Ended December 31, | | | | | | For the six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | *(in RMB thousands, except for percentage data)* | | | | | | *(Unaudited)* | | | |
| Revenue | 836,629 | 100.0 | 1,104,053 | 100.0 | 1,611,327 | 100.0 | 766,559 | 100.0 | 908,789 | 100.0 |
| Raw materials and consumables cost | (228,065) | (27.3) | (310,505) | (28.1) | (425,580) | (26.4) | (203,574) | (26.6) | (247,193) | (27.2) |
| Loss before income tax | (181,550) | (21.7) | (267,677) | (24.2) | (478,122) | (29.7) | (214,115) | (27.9) | (85,737) | (9.4) |
| Loss for the year attributable to owners of the Company | (181,550) | (21.7) | (274,050) | (24.8) | (471,063) | (29.2) | (205,223) | (26.8) | (95,475) | (10.5) |

#### *Non-IFRS Measures*

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company. We believe that these measures provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as they help our management. However, our presentation of adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

The following table sets forth a reconciliation of our adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) to the nearest measure prepared in accordance with IFRS, which is net loss, for the periods indicated.

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *(in RMB thousands)* | | | | |
| | | | | *(Unaudited)* | |
| **Reconciliation of net loss and adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure)** | | | | | |
| Net loss for the year[(1)] | (181,550) | (274,050) | (471,063) | (205,223) | (95,475) |
| Add: | | | | | |
| Fair value change of financial liabilities at fair value through profit or loss[(2)] | – | 13,933 | 201,300 | 83,384 | 1,079 |
| Share-based compensation | | | | | |
| – Directors' compensation, stock appreciation rights and RSUs[(3)] | 8,932 | 33,202 | 90,821 | 50,684 | (3,338) |
| – Guarantee fee for shareholders[(4)] | 4,408 | 16,876 | 16,126 | 8,116 | 12,269 |
| Listing expenses[(5)] | – | – | 10,296 | – | 16,599 |
| Issuance cost of convertible Senior Ordinary Shares[(6)] | – | 10,226 | 9,235 | 1,368 | – |
| **Adjusted Net Loss (non-IFRS measure)** | **(168,210)** | **(199,813)** | **(143,285)** | **(61,671)** | **(68,866)** |
| Add: | | | | | |
| Depreciation and amortization[(7)] | 93,848 | 117,142 | 141,687 | 67,701 | 80,150 |
| Income tax expense/(credit)[(8)] | – | 6,373 | (7,059) | (8,892) | 9,738 |
| Finance cost[(9)] | 41,179 | 58,707 | 71,352 | 35,384 | 34,553 |
| **Adjusted EBITDA (non-IFRS measure)** | **(33,183)** | **(17,591)** | **62,695** | **32,522** | **55,575** |

*Notes:*

(1) Net loss for the year is recorded as loss for the year attributable to owners of the Company.

(2) Fair value change of financial liabilities at fair value through profit or loss represents the losses arising from change in fair value to convertible Senior Ordinary Shares. Such changes are non-cash in nature. Upon the Listing, all convertible Senior Ordinary Shares will be automatically converted into ordinary shares which will no longer be recognized as financial liabilities at fair value through profit or loss.

(3) Directors' compensation, stock appreciation rights and RSUs are adjusted for as the items are non-cash in nature.

(4) Guarantee fee for shareholders represents fees associated with the guarantee by Good Taste Limited and James Marshall for the borrowings from a bank by our Group. Guarantee fee for shareholders is non-cash in nature. We have fully repaid the balance of such bank borrowings by the end of March 2022.

(5) Listing expenses relate to the Global Offering of our company.

(6) Issuance cost of convertible Senior Ordinary Shares represents the professional expense in connection with our issuance of convertible Senior Ordinary Shares in 2020 and 2021.

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

(8) Income tax expense/(credit) represents PRC corporate income tax in connection with profits generated by our wholly owned subsidiaries, Dash Beijing and Domino's Pizza (Ningbo) Co., Ltd., and the recognition of deferred income tax.

(9) Finance cost represents interest (expense)/income from financing activities.

See "Financial information – Non-IFRS measures" for more information.

Under the leadership of our current management team, we have been focused on growing Domino's Pizza into a national brand in China by opening new stores in existing and new markets, while closely monitoring our profitability at the store level and the group level. Despite our rapid growth and our improving profitability, we recorded net losses and adjusted net losses (non-IFRS measure) during the Track Record Period, primarily due to our strategic decision to prioritize the expansion of our store network over immediate bottom-line profitability. Because of this decision, (1) at the store level, our store network has a high proportion of new stores and stores in new growth markets, which are initially unprofitable because it takes time to ramp up their sales and pay back the costs of opening them; and (2) at the corporate level, we made significant investments in our business to support our store network expansion, such as investing in our talent pool for store development, regional store management and IT functions, as well as brand-building activities. For details see "– Business sustainability – Our net loss and adjusted net loss (non-IFRS measure)" in this section.

In tandem with our rapid business expansion, we adopted equity-linked award schemes for the benefit of our employees and Directors to provide remuneration and director service fees in recognition of their service, as well as to incentivize and reward eligible persons who have contributed to the success of our Company. For the years ended December 31, 2019, 2020 and 2021, we recognized total share-based compensation of RMB8.9 million, RMB33.2 million and RMB90.8 million, respectively, in the form of stock appreciation rights (SARs) and restricted stock units (RSUs) awarded to our employees, and in the form of share awards as compensation to our Directors. The increase in share-based compensation for our employees and Directors from 2019 to 2021 was mainly the result of the increase in total equity value of our Group during the respective years. We recorded share-based compensation for our employees and Directors of RMB50.7 million and negative RMB3.3 million for the six months ended June 30, 2021 and 2022, respectively. The decrease was primarily due to the cancellation of SAR awards of our executives in part and in full during the six months ended June 30, 2021 and 2022 respectively. For details, please refer to Notes 2.21 and 29 to the Accountant's Report set out in Appendix I to this document. In the future, we plan to regularly assess the level of share-based compensation awarded to our employees and Directors under any share incentive

plans that we may have adopted, though the amount of share-based compensation awarded thereunder may fluctuate due to changes in the Group's equity value and other factors. See "Risk Factors – Share-based compensation may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance."

In addition to the share-based remuneration we awarded to our employees and Directors, we also recorded share-based payments to Good Taste Limited, one of our Controlling Shareholders, for the guarantee that it provided in connection with a three year, RMB210.0 million bank facility that we entered into in October 2019, which we repaid early in full in March 2022. The total fees paid to Good Taste Limited were RMB4.4 million, RMB16.9 million and RMB16.1 million in 2019, 2020 and 2021, respectively, and RMB8.1 million and RMB12.3 million in the six months ended 30 June 2021 and 2022, respectively. We do not expect to recognize share-based compensation for guarantee fees in the future.

The tables below present breakdowns of our revenue by geographic location, by order placement channel and by dining option during the Track Record Period, in each case in absolute amounts and as a percentage of our total revenue.

| | Year ended December 31, | | | | | | For the six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | *(in RMB millions, except for percentages)* | | | | | | | | | |
| | | | | | | | *(Unaudited)* | | | |
| **Revenue:** | | | | | | | | | | |
| *By market* | | | | | | | | | | |
| Beijing and Shanghai | 702 | 83.9% | 869 | 78.7% | 1,147 | 71.2% | 554 | 72.3% | 580 | 63.8% |
| New growth markets | 134 | 16.1% | 235 | 21.3% | 464 | 28.8% | 213 | 27.7% | 329 | 36.2% |
| **Total** | **836** | **100.0%** | **1,104** | **100.0%** | **1,611** | **100.0%** | **767** | **100%** | **909** | **100%** |
| *By order placement channel* | | | | | | | | | | |
| Our own online channels | 270 | 32.3% | 484 | 43.8% | 784 | 48.7% | 362 | 47.3% | 471 | 51.8% |
| Third-party channels | 442 | 52.9% | 572 | 51.8% | 762 | 47.3% | 376 | 49.0% | 384 | 42.2% |
| Offline channels | 124 | 14.8% | 48 | 4.4% | 65 | 4.0% | 28 | 3.7% | 54 | 6.0% |
| **Total** | **836** | **100.0%** | **1,104** | **100.0%** | **1,611** | **100.0%** | **767** | **100%** | **909** | **100%** |
| *By dining option* | | | | | | | | | | |
| Delivery | 586 | 70.0% | 822 | 74.5% | 1,180 | 73.2% | 559 | 72.9% | 650 | 71.5% |
| Non-delivery | 250 | 30.0% | 282 | 25.5% | 431 | 26.8% | 207 | 27.1% | 259 | 28.5% |
| **Total** | **836** | **100.0%** | **1,104** | **100.0%** | **1,611** | **100.0%** | **767** | **100%** | **909** | **100%** |

See "Financial information – Major components of our results of operations" and "Financial information – Year to year comparison of results of operations" for more information.

**Summary of Consolidated Balance Sheets**

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *(in RMB thousands)* | | | |
| Total non-current assets | 2,079,404 | 2,273,457 | 2,378,653 | 2,421,166 |
| Total current assets | 163,753 | 375,259 | 784,041 | 684,222 |
| **Total assets** | **2,243,157** | **2,648,716** | **3,162,694** | **3,105,388** |
| Total non-current liabilities | 531,953 | 996,809 | 1,355,787 | 1,505,858 |
| Total current liabilities | 373,353 | 577,722 | 849,030 | 748,279 |
| **Total liabilities** | **905,306** | **1,574,531** | **2,204,817** | **2,254,137** |
| Net current liabilities | (209,600) | (202,463) | (64,989) | (64,057) |
| **Net assets** | **1,337,851** | **1,074,185** | **957,877** | **851,251** |

The decrease in net assets from RMB1.3 billion as of December 31, 2019 to RMB1.1 billion as of December 31, 2020 was mainly attributable to the net loss of RMB274.1 million recorded for the year and the currency translation loss of RMB12.4 million recorded for the year, which were partially offset by the increase of RMB23.4 million as a result of the issuance of new shares.

The decrease in net assets from RMB1.1 billion as of December 31, 2020 to RMB957.9 million as of December 31, 2021 was mainly attributable to the net loss of RMB471.1 million recorded for the year which was partially offset by the increase of RMB277.7 million as a result of the issuance of new shares and RMB82.8 million arising from share-based compensation expenses.

The decrease in net assets from RMB957.9 million as of December 31, 2021 to RMB851.3 million as of June 30, 2022 was mainly attributable to the net loss of RMB95.5 million recorded during the period and currency translation loss of RMB29.2 million recorded during the period which were partially offset by the increase of RMB18.1 million arising from share-based compensation expenses.

We have a significant amount of intangible assets, consisting of goodwill, the Master Franchise Agreement, store franchise fees, acquired software and website, and proprietary website and mobile app. Our intangible assets amounted to RMB1.3 billion as of December 31, 2019, 2020 and 2021 and June 30, 2022. We are required to review our intangible assets for impairment on an annual basis or more frequently if events or changes in circumstances

indicate evidence of impairment. If the fair value declines, we may need to recognize an intangible asset impairment in the future, which could have a material adverse effect on our financial position and results of operations.

During the Track Record Period, we recorded net current liabilities of RMB209.6 million, RMB202.5 million, RMB65.0 million and RMB64.1 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. We recorded net current liabilities of RMB120.3 million as of October 31, 2022. Each of these net current liabilities positions was primarily the result of our store expansion during the Track Record Period and up to October 31, 2022, during which we primarily used our cash generated from operating activities, proceeds from our pre-IPO investors and borrowings to finance the capital expenditure of such expansion, which mostly translated into non-current assets. Our non-current assets mainly included right-of-use assets, leasehold improvements, machinery and equipment, motor vehicles and intangible assets. As of December 31, 2019, 2020, 2021, June 30, 2022 and October 31, 2022, the percentage of non-current assets to total assets was approximately 92.7%, 85.8%, 75.2%, 78.0% and 81.1%, respectively.

Notwithstanding the above, our Directors are of the view that we will have available sufficient working capital to meet our present requirements and for at least the next twelve months from the date of this document, taking into account cash on hand and cash at banks, cash generated from operating activities, secured revolving credit facility from a bank in China and the estimated net proceeds we expect to receive from the Global Offering. We believe that our business operation and financial condition will not be materially and adversely affected by our current liabilities position.

See "Financial information – Discussion of certain key items of consolidated balance sheets" for more information.

**Summary of Consolidated Statements of Cash Flow**

| | For the Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| | *(in RMB thousands)* | | | | |
| | | | | *(Unaudited)* | |
| Net cash generated from operating activities | 124,347 | 103,543 | 332,089 | 157,475 | 167,573 |
| Net cash used in investing activities | (181,228) | (152,408) | (181,740) | (89,464) | (68,142) |
| Net cash (used in)/generated from financing activities | (75,007) | 233,569 | 242,985 | 134,343 | (191,216) |
| **Net (decrease)/increase in cash and cash equivalents** | (131,888) | 184,704 | 393,334 | 202,354 | (91,785) |
| Cash and cash equivalents at beginning of year | 216,862 | 83,657 | 257,390 | 257,390 | 656,672 |
| Exchange difference on cash and cash equivalents | (1,317) | (10,971) | 5,948 | 1,957 | 12,057 |
| **Cash and cash equivalents at end of year** | **83,657** | **257,390** | **656,672** | **461,701** | **576,944** |

See "Financial information – Liquidity and capital resources" for more information.

### Key Financial Ratios

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| Current ratio[(1)] | 0.44 | 0.65 | 0.92 | 0.86 | 0.91 |
| Quick ratio[(2)] | 0.38 | 0.61 | 0.88 | 0.82 | 0.85 |
| Gearing ratio[(3)] | 5% | 20% | 19% | 22% | 12% |
| Adjusted EBITDA margin (non-IFRS measure)[(4)] | (4.0%) | (1.6%) | 3.9% | 4.2% | 6.1% |

*Notes:*

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

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

(3) The calculation of gearing ratio is based on total borrowing divided by total equity as of the period end and multiplied by 100%.

(4) The calculation of adjusted EBITDA margin (non-IFRS measure) is based on adjusted EBITDA (non-IFRS measure) divided by our total revenue for the period and multiplied by 100%.

## BUSINESS SUSTAINABILITY

We are a restaurant chain operator built upon a global brand in an early stage of rapid expansion in China. Since 2018, the first full year during which our current chief executive officer and most of our current core executive management team joined our Company, we have experienced a transformational change in terms of our growth strategy and results. In particular, under the leadership of our current chief executive officer, we have (i) added a leadership team with substantial experience in the Chinese catering industry, (ii) adopted tailored localization strategies, (iii) implemented an actionable store expansion plan, (iv) become more focused on a delivery-centric business model, and (v) strengthened our development capabilities with respect to both our menu and our technology. At the core of this transformational change is our belief that, given the significant whitespace and growth potential of the China pizza market, developing a broad, nationwide store network is key to the long-term success and competitiveness of our business.

### Our track record of growth and improving profitability

Under the leadership of our current management team, we have been focused on growing Domino's Pizza into a national brand in China by opening new stores in existing and new markets, while closely monitoring our profitability at the store level and the group level. As a result, during the Track Record Period, we achieved:

- *Rapid growth of our store network and revenue*. Our nationwide presence grew from five cities at the beginning of 2018 to 12 cities as of June 30, 2022. The total number of our stores increased from 188 at the beginning of the Track Record Period to 468 as of December 31, 2021, representing a three-year CAGR of 35.5%, and further increased to 508 stores as of June 30, 2022. Our stores have also recorded increasing sales, as demonstrated by our consistently-positive SSSG throughout every quarter of the Track Record Period. This has driven a significant increase in our revenue.

- *Improving store-level profitability.* Our store-level operating profit margin was consistently positive during the Track Record Period. See "Business – The operating performance of our Domino's Pizza stores" for more details.

- *Improving group-level adjusted EBITDA (non-IFRS measure).* We saw steady improvement in our adjusted EBITDA (non-IFRS measure) during the Track Record Period, which improved from negative RMB33.2 million in 2019 to positive RMB62.7 million in 2021. Our adjusted EBITA (non-IFRS measure) remained positive in the first half of 2022, and amounted to RMB55.6 million.

**Impact of the COVID-19 pandemic on our business sustainability**

Like other Domino's franchisees around the world, we have always been focused on delivery, and our business model is designed to provide quality delivery services. The COVID-19 pandemic accelerated the growth in demand for food delivery services. As a delivery-focused company, we benefitted from this trend, as stronger delivery and carryout sales drove the continued growth of our revenue, average daily sales, SSSG and other key performance indicators, as well as our brand recognition, throughout the Track Record Period. We believe, if and when the COVID-19 pandemic subsides, there would be no adverse impact to our business and operations, on the basis that (i) the COVID-19 pandemic has accelerated the consumer adoption of food delivery, resulting in a shift in consumer habits in favor of delivery, according to the Frost & Sullivan Report, (ii) the COVID-19 pandemic had the effect of increasing consumer recognition of our brand, and we believe this effect will be lasting in the long term due to the strength of our products and services, and (iii) the delivery segment of the China pizza market is expected to grow faster than the overall China pizza market, according to Frost & Sullivan. As a result, we believe that the stronger brand awareness, larger store network and large customer base we built up are lasting and will remain in the longer term and expected to continue to drive our growth even after the COVID-19 pandemic subsides.

**Our net loss and adjusted net loss (non-IFRS measure)**

Despite our rapid growth and our improving profitability, we recorded net losses of RMB181.6 million, RMB274.1 million, RMB471.1 million and RMB95.5 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. In the same periods, we recorded adjusted net losses (non-IFRS measure) of RMB168.2 million, RMB199.8 million, RMB143.3 million and RMB68.9 million, respectively. These losses were primarily the result of our strategic decision to prioritize the expansion of our store network over immediate bottom-line profitability. Because of this decision, (1) at the store level, our store network has a high proportion of new stores and stores in new growth markets, which are initially unprofitable because it takes time to ramp up their sales and pay back the costs of opening them; and (2) at the corporate level, we made significant investments in our business to support our store network expansion, such as investing in our talent pool for store development, regional store management and IT functions, as well as brand-building activities. These two factors were the reasons for our net losses and adjusted net losses (non-IFRS measure) during the Track Record Period. Each is described in more detail below.

*Ramp-up of new stores and new growth markets*

During the Track Record Period, we executed on our growth strategies and opened 320 new stores. As a result, as of June 30, 2022, stores that have been opened for three and a half years or less represented approximately 63% of our total stores. In addition, as part of our strategy to build a nationwide store network, we have been focused on expanding in our new growth markets, which are cities other than Beijing and Shanghai. At the end of 2019, 2020,

2021 and the first half of 2022, stores in our new growth markets represented approximately 33%, 39%, 43% and 44%, respectively, of our total stores. The high proportion of new stores and stores in new growth markets contributed to our net loss and adjusted net loss (non-IFRS measure) primarily because:

- *Sales in new stores and new growth markets remain in a ramp-up stage*. New stores typically have lower average daily sales per store compared to older stores during an initial ramp-up period. Similarly, stores in new growth markets typically have lower average daily sales per order compared to stores in Beijing and Shanghai. It takes time for these newer stores and new growth market stores to increase their sales to a level that approaches that of older stores and stores in Beijing and Shanghai. For example, stores opened in 2019 generated average daily sales per store of RMB7,415 in 2019, which was less than the group average of RMB10,292 in that year. However, by the first half of 2022, stores opened in 2019 had ramped up, and generated average daily sales per store of RMB11,062, which was similar to the group average of RMB11,462 in the same period. As we strategically accelerated the pace at which we opened new stores during the Track Record Period, we had a larger proportion of stores undergoing ramp-up, and our average daily sales per store was not as high as it would have been if we had opened stores at a slower pace and had a higher proportion of mature stores in our store network. For more information, including a tabular breakdown of average daily sales per store by store vintage and by market, see "Business – Our Domino's Pizza Stores – The operating performance of our Domino's Pizza stores – Key performance indicators – Average daily sales per store".

- *New stores take time to achieve cash investment payback*. From a payback perspective, the majority of our stores have not been open for a long enough time to achieve cash investment payback. Our cash investment payback period has been improving, but as most of our new stores have been open for less than three years, they have not been open for long enough to achieve cash investment payback. As of June 30, 2022, approximately 9% of the stores opened during the Track Record Period had achieved cash investment payback. For more information, see "Business – Our Domino's Pizza Stores – The operating performance of our Domino's Pizza stores – Initial breakeven and Cash investment payback period of our stores".

- *New stores have yet to cover their share of corporate-level expenses*. As new stores take time to ramp up sales and achieve cash investment payback as described above, it takes time for these stores to generate sufficient sales to cover their share of corporate-level costs. Although our stores collectively generated sufficient sales to cover their store-level costs and expenses, as demonstrated by our positive and steadily improving store-level operating profit during the Track Record Period, the high proportion of new stores in our store network means our stores, on a collective basis, were not yet able to cover their corporate-level costs and expenses.

*Corporate-level investments in support of a nationwide store network*

During the Track Record Period, we made substantial investments at the corporate level to support the rapid growth of our business and store network such as investing in our talent pool for store development, regional store management and IT functions, as well as brand-building activities. We believe that these corporate-level investments bring benefits

shared by all of our stores. However, because our store network has not yet reached the scale and maturity needed to fully cover our corporate-level investments, these investments contributed to our net loss and adjusted net loss (non-IFRS measure) during the Track Record Period.

The corporate-level investments we made in our business are primarily reflected in our corporate overhead, which amounted to RMB157.4 million, RMB213.0 million, RMB239.2 million and RMB124.8 million, representing 18.8%, 19.3%, 14.8% and 13.7% of our revenue, in 2019, 2020, 2021 and the first half of 2022, respectively. During the Track Record Period, the following four items accounted for substantially all of our corporate overhead:

- *Corporate-level cash compensation expenses*. Cash-based compensation expenses for our corporate-level full-time staff amounted to RMB79.3 million, RMB120.0 million, RMB150.0 million and RMB77.9 million, representing 50.4%, 56.3%, 62.7% and 62.4% of our total corporate overhead in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. The majority of these costs were incurred in connection with compensating our store development and regional store management staff and IT and technology staff. We expect that these expenses will decrease as a percentage of revenue in the future as our business matures. In particular, we expect that the cash-based staff compensation expense for our store development and regional store management staff and our IT and technology staff, which accounted for a majority of our corporate-level cash-based compensation expense during the Track Record Period, will grow at a slower pace than revenue because we have already built up our IT infrastructure and will expand our store network at a more moderate pace in the future, enabling us to moderate the rate at which we increase headcount in those functions. More generally, we will also continue to prudently monitor the rate at which we increase our corporate-level headcount.

- *Corporate-level depreciation and amortization*. These costs amounted to RMB41.4 million, RMB45.0 million, RMB48.0 million and RMB25.1 million, representing 26.3%, 21.1%, 20.1% and 20.1% of our total corporate overhead in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Corporate-level depreciation and amortization primarily represents (i) the amortization arising from the revaluation of the Master Franchise Agreement in connection with our corporate restructuring in 2017, which amounted to RMB32.0 million in 2019 and 2020, RMB31.8 million in 2021, and RMB15.9 million in the six months ended June 30, 2022, and (ii) the amortization of certain IT-related investments in connection with the enhancement of our digital platform and overall enterprise-level operational efficiency.

- *Corporate-level advertising and promotion expenses*. These expenses amounted to RMB2.9 million, RM9.0 million, RMB14.5 million and RMB4.6 million, representing 1.9%, 4.2%, 6.1% and 3.7% of our total corporate overhead in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We incurred these expenses primarily in connection with marketing and promoting our brand, as well as additional marketing activities that we undertook as we entered new markets.

- *Corporate-level other expenses*. These expenses amounted to RMB29.0 million, RMB34.2 million, RMB21.6 million and RMB14.8 million, representing 18.4%, 16.1%, 9.0%, and 11.8% of our total corporate overhead, in 2019, 2020, 2021 and the first half of 2022, respectively. The main components of our corporate-level other expenses were (i) recruitment fees, which we paid to recruitment agencies to help us hire talents to support our rapid growth, (ii) marketing survey expenses, which we incurred by engaging market research firms to conduct market surveys to enable us to better understand our brand and our market, and (iii) travelling expenses, which we incurred primarily for our store development team's travel to onsite locations in support of store openings. See "Financial information – Major components of our results of operations – Other expenses".

**Measures to improve our profitability**

While we continue to execute our store growth strategy, we plan to improve our group-level, bottom-line profitability by driving revenues while reducing our costs and expenses. To that end we will primarily pursue four key strategies: we will drive revenues by (i) increasing our revenue per store by ramping up store sales and (ii) increasing the total number of our stores by executing on our store expansion plan. At the same time, we will reduce costs and expenses by (iii) continuing to control store-level costs and expenses to maintain store-level profitability and (iv) reducing our corporate costs as a percentage of revenue by leveraging the upfront corporate-level investments we made in our business.

Upon the successful implementation of the foregoing measures, we believe we are well-positioned to achieve sustainable profitability in the future. We anticipate that, in three to five years, we will have a sufficient number of ramped-up stores to generate the sales needed to cover our corporate overhead and depreciation and amortization expenses arising from the opening of new stores. Our expectation is based on the forecasted pace of our store openings, increase in per-store and aggregate revenue, and reduction of our costs and expenses as a percentage of revenue. Notwithstanding the foregoing, we expect to remain loss-making for at least another three years. Our net losses may increase in absolute amounts in 2022 as compared to 2021 due to (i) the continued expansion of our store network, especially into new cities, (ii) our continued corporate-level investments in support of a nationwide store network, including with respect to our talent pool for store development, regional store management and IT functions, as well as our brand-building activities, and (iii) a one-off increase in share-based compensation in connection with the Global Offering. In the longer-term, our future profitability is uncertain and subject to various factors, including our ability to continue to effectively expand our nationwide store network and grow revenues in a cost-effective way and to execute on the strategies described above. See "Risk Factors – We incurred net losses during the Track Record Period and may not be able to maintain or increase the sales volume of our existing stores, control our costs and expenses and achieve or maintain profitability in the future."

See "Financial information – Business sustainability" for more information.

**CONTROLLING SHAREHOLDERS**

Immediately after completion of the Global Offering, Mr. James Leslie Marshall, our non-executive Director and deputy chairman, will be interested in and control 33.95% of our issued Shares in aggregate. Mr. Marshall holds his interest in the Company through Good Taste Limited, a limited liability company incorporated in Bermuda and wholly-owned by Ocean Investments Limited, a limited liability company incorporated in Bermuda the entire interest

of which is in turn wholly-owned and managed by a corporate trustee for the benefit of a discretionary (irrevocable) family trust in which, Mr. Marshall is the protector, a named person in its discretionary class of beneficiaries and one of the directors of the trustee. Mr. Marshall, Ocean Investments Limited and Good Taste Limited will therefore be the Controlling Shareholders of our Company after the Listing.

For further details about our Controlling Shareholders, please see "Relationship with the Controlling Shareholders".

## OUR PRE-IPO INVESTORS

Since the establishment of our Company, we have recently secured Pre-IPO financing from a number of Pre-IPO Investors, including Domino's Pizza LLC, D1 Capital, The Capital Group Companies and Alpha Wave. For further details of the identity and background of the Pre-IPO Investors, and the principal terms of the Pre-IPO Investments, see "History, reorganization and corporate structure – Pre-IPO Investments".

## LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may become a party to various legal or administrative proceedings arising in the ordinary course of our business, including actions with respect to breach of contract and labour and employment claims. We are currently not a party to, and we are not aware of any threat of, any legal or administrative proceedings that, in the opinion of our management, are likely to have any material and adverse effect on our business, financial condition, cash-flow or results of operations.

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

See "Business – Legal proceedings and compliance" for more information. For more information about the laws and regulations that we are subject to, see "Regulations".

## RECENT DEVELOPMENTS

### Selected Operating Data

We continued to expand our store network after the end of the Track Record Period, opening 61 new stores (net of closures) from June 30, 2022 to the Latest Practicable Date, bringing the total number of our stores to 569 as of the same date. Our SSSG was 11.2% for the nine months ended September 30, 2022. Based on the unaudited interim condensed consolidated financial information of our Group for the nine months ended September 30, 2022, which have been reviewed by our reporting accountant in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", we recorded revenue of RMB1,442.5 million for the nine months ended September 30, 2022, representing an increase of 21.2% from the same period in 2021. The table below sets out certain of our other key performance indicators for the nine months ended September 30, 2022:

| | **For the nine months ended or as of September 30, 2022** |
|---|---|
| **Number of stores** | |
| Beijing and Shanghai | 295 |
| New growth markets | 251 |
| **Total** | **546** |
| **Average daily sales per store (RMB)** | |
| *By market* | |
| Beijing and Shanghai | 13,465 |
| New growth markets | 8,920 |
| **All markets** | **11,348** |
| **Average orders per store per day (#)** | |
| *By market* | |
| Beijing and Shanghai | 138 |
| New growth markets | 102 |
| **All markets** | **121** |
| **Average sales value per order (RMB)** | |
| *By market* | |
| Beijing and Shanghai | 97.9 |
| New growth markets | 87.0 |
| **All markets** | **93.6** |

### Impact of the COVID-19 Pandemic

The COVID-19 pandemic has materially and adversely affected the global economy. In response, countries and regions around the world, including China, have imposed widespread lockdowns, closure of workplaces and restrictions on mobility and travel to contain the spread of COVID-19. Since the initial outbreak of COVID-19 and up to the Latest Practicable Date, travel restrictions and quarantine requirements had been imposed from time to time by local governments to counter regional outbreaks, including those of new variants, such as the Delta

and Omicron variants. In 2020 and 2021 and the six months ended June 30, 2022, 44, 34 and 329 of our stores closed temporarily for an average of 14, 5 and 28 days, respectively, due to the impact of the COVID-19 pandemic and the related control measures.

In 2022, as a result of the recent outbreak of COVID-19 in certain regions of China, operations at some of our stores in Shanghai, Shenzhen and Beijing have been adversely impacted since mid-March of 2022 as a result of local governments' implementation of temporary lockdowns and travel restrictions. In April 2022, almost all of our stores in Shanghai were closed, for both dine-in and delivery, as a result of citywide lock-downs. Since mid-April 2022, our stores in Shanghai have gradually been allowed to reopen. As of June 30, 2022, almost all of our stores in Shanghai are operating. In Shenzhen, our stores in the city were closed for one week in March due to a one-week, citywide lockdown. After the lockdown was lifted, our business in Shenzhen returned to normal. In Beijing, all dine-in services were suspended from May 1, 2022 to June 6, 2022 as a result of the COVID-19 control measures imposed by the local government. However, we continue to offer delivery services to our customers in Beijing. Due primarily to the impact of the COVID-19 pandemic and related control measures, our revenues in the first half of 2022 were approximately RMB55 million to RMB65 million lower than our management forecasts for the period. In addition to store closures, we are experiencing staff shortages in Shanghai, particularly with respect to riders, because of the heightened health check requirements and citywide lockdown imposed by the local government there. The recent COVID-19 surge in China has also caused supply chain disruptions. Operations at our central kitchen in Shanghai were negatively impacted in April, and it became necessary for us to enlist our central kitchens in Sanhe, Hebei Province and Dongguan, Guangdong province to service stores originally covered by the Shanghai central kitchen, resulting in higher logistics expense. In May 2022, our central kitchen in Shanghai resumed production. In November 2022, Beijing and Guangzhou experienced COVID-19 outbreaks. Although these outbreaks caused disruptions to certain of our stores, these disruptions have not materially affected the business, operations or financial results of the Company.

Despite these closures, staff shortages and supply chain disruptions, we did not experience any material increase in our operational costs. Additionally, we received COVID-19 related government grants in 2020, 2021 and the first half of 2022. The total amount of government grants we received, which includes certain exemptions on value-added tax granted by the PRC government authorities and additional COVID-19 government grants granted by the PRC government, was RMB14.4 million, RMB2.8 million and RMB4.3 million in 2020, 2021 and the first half of 2022, respectively.

Despite the adverse impact of the COVID-19 pandemic described above, the COVID-19 pandemic also accelerated the growth in demand for food delivery services. In particular, the restrictions on dine-in and grocery shopping options that were imposed to manage the pandemic accelerated the consumer adoption of food delivery as a regular dining habit, according to the Frost & Sullivan Report. As a delivery-focused company, we benefitted from this trend, as stronger delivery and carryout sales drove the continued growth of our revenue, average daily sales, SSSG and other key performance indicators throughout the Track Record Period.

In general, our business and financial performance has not been materially and adversely affected by COVID-19 or the emergence of new COVID-19 variants, include the Alpha, Beta, Gamma, Delta and Omicron variants. Since the second half of 2020 and up to the Latest Practicable Date, although certain stores had temporarily suspended operations in accordance

with local public health guidelines, the temporary suspensions had no material impact on our results of operations or financial performance. For more information, see "Industry overview – China's catering industry – The impact of the COVID-19 pandemic on China's catering industry", "Financial information – Impact of COVID-19 on operations" and "Business – Our Domino's Pizza stores – The operating performance of our Domino's Pizza stores".

**One-off Cash Bonus Plan**

On November 15, 2022, the Board approved the adoption of a one-off IPO cash bonus plan (the "**Cash Bonus Plan**") for 12 existing senior management and other key employees of the Group (the "**Cash Bonus Grantees**"). Most of these existing senior management and key employees have worked with the Company for more than five years. The Cash Bonus Plan will be implemented only if the Global Offering is completed. The final Cash Bonus Plan amount will be determined when the final Offer Price has been determined, and is estimated to be between US$2.3 million and US$3.0 million, of which no more than US$2 million will be paid within six months after the Listing Date and the remaining balance will be paid after the end of six months after the Listing Date, subject to the Cash Bonus Grantees' continued employment with the Group at the time of payment of such amounts. The total expenses of Cash Bonus Plan would be recognized over the above service period. However, we do not expect the payment of the Cash Bonus Plan amount to influence the adjusted net loss (non-IFRS measure), due to its one-off and share-based compensation nature. For more information, see "Statutory and general information – Share Incentive Plans and bonus plans – Cash Bonus Plan and Share Appreciation Bonus Plan" in Appendix IV.

**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 or prospects of since June 30, 2022, the end of the period reported on in the Accountant's Report set out in Appendix I to this document.

**Net loss in 2022**

We expect to incur a net loss in 2022, primarily as a result of our continued store expansion and entry into new markets, the ongoing ramp-up of revenues per store, store-level costs and expenses, as well as corporate level costs and expenses relating to our investment in our talent pool for store development, regional store management, IT and other functions, brand-building activities and listing expenses.

## APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares, including (i) our Shares in issue (including the shares on conversion of the Class A Ordinary Shares and Senior Ordinary Shares), (ii) the Shares to be issued pursuant to the Global Offering, including the Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (iii) the Shares to be issued pursuant to the Share Incentive Plans. We satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue for the year ended December 31, 2021, being

RMB1,611 million, which is significantly over HK$500 million as required by Rule 8.05(3) of the Listing Rules; and (ii) our expected market capitalization at the time of the Listing, which, based on the low end of the Offer Price range, exceeds HK$4 billion as required by Rule 8.05(3) of the Listing Rules.

## DIVIDENDS

As advised by our British Virgin Islands legal advisor, under British Virgin Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business and the value of the Company's assets exceeds its liabilities. As we are a holding company incorporated under the laws of the British Virgin Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

Dividend distribution to our shareholders is recognized as a liability in our financial statements in the period in which the dividends are approved by our Board. During the Track Record Period, we did not distribute or declare any dividends. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the BVI Business Companies Act. In addition, our Directors may from time to time pay such interim dividends on shares of our Company outstanding and authorize payment of the same out of the funds of our Company lawfully available. We do not currently have plans to pay dividends in the near future.

As advised by our PRC Legal Advisor, in accordance with the Foreign Investment Law of the PRC and the PRC subsidiaries' Articles of Association, appropriations from net profit should be made to the reserve fund and the enterprise expansion fund, after offsetting accumulated losses from prior years, before profit can be distributed to investors. As advised by Maples and Calder (Hong Kong) LLP, our BVI legal advisor, directors of a British Virgin Islands company may only declare a distribution by such company if they are satisfied, on reasonable grounds, that the company will, immediately after the distribution, satisfy the solvency test set out in section 57(1) of the BVI Business Companies Act. A company satisfies the solvency test if the value of its assets exceeds its liabilities and it is able to pay its debts as they fall due.

## GLOBAL OFFERING

This document is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises of:

the Hong Kong Public Offering of initially 1,135,000 Offer Shares (subject to reallocation) in Hong Kong and the International Offering of initially 10,215,000 Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or other available exemption from the registration requirements of the U.S. Securities Act.

The Offer Shares will represent 8.94% of the issued shares of the Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Share Incentive Plans.

## OFFERING STATISTICS

All statistics in the following table are based on the assumptions that: (i) the Global Offering has been completed and Shares are issued pursuant to the Global Offering, (ii) the Over-allotment Option is not exercised, and (iii) Shares are issued and outstanding following the completion of the Global Offering.

| | **Based on an Offer Price of HK$46.0 per Share** | **Based on an Offer Price of HK$50.0 per Share** |
|---|---|---|
| Market capitalisation of our Shares[(1)] | HK$5,840 million | HK$6,347 million |
| Unaudited pro forma adjusted net tangible assets per Share[(2)] | HK$7.50 | HK$7.84 |

*Notes:*

(1) The calculation of market capitalization is based on 126,948,796 Shares expected to be in issue immediately upon completion of the Global Offering.

(2) The unaudited pro forma adjusted net tangible asset per Share attributable to the owners of the Company is calculated on the basis that 126,632,708 Shares were in issue assuming that the Global Offering had been completed on June 30, 2022 (including the shares granted pursuant to the restricted share unit plan (the "**RSU plans**") prior to June 30, 2022 that are vested prior to or to be vested upon the completion of the Global Offering) but excludes (i) 316,088 shares issued subsequent to June 30, 2022, (ii) cash bonus to be paid to certain senior management and employees after the Global Offering pursuant to the cash bonus plan approved by the board of the Company subsequent to June 30, 2022, (iii) share appreciation plan approved by the board of the Company subsequent to June 30, 2022, (iv) any Shares which may fall to be issued upon the exercise of the Over-allotment Option, exercise of options or awards granted under the Share Incentive Plans and (v) any Shares which may be issued or repurchased by the Company pursuant to the general mandates. The 316,088 shares mentioned in (i) above are excluded since the issuance of these shares is not directly attributable to the Global Offering. The cash bonus mentioned in (ii) above and the share appreciation plan mentioned in (iii) above are excluded since the grantees are only entitled to such shares and bonus after the Global Offering. However, had such (i) 316,088 shares issued subsequent to June 30, 2022 been taken into account, such that 126,948,796 shares are in issue immediately following the completion of the Global Offering, and assuming the cash bonus mentioned in (ii) above in paid immediately upon the Global Offering, the unaudited pro forma adjusted net tangible assets per Share would have been RMB6.60 (equivalent to HK$7.34) and RMB6.87 (equivalent to HK$7.64) based on the Offer Price of HK$46.0 per Share and HK$50.0 per Share, respectively. See also "Unaudited Pro Forma Financial Information – Unaudited pro forma adjusted consolidated net tangible assets" in Appendix II.

For the calculation of the unaudited pro forma adjusted net tangible asset value per Share attributed to our Shareholders, see "Unaudited pro forma financial information" in Appendix II.

## LISTING EXPENSES

Our listing expenses mainly comprise professional fees paid and payable to the professional parties for their services rendered in relation to the Listing and the Global Offering. Based on the mid-point of the Offer Price of HK$48.0 per share, the total estimated listing expenses in relation to the Global Offering are approximately HK$88.6 million, assuming the Over-allotment Option is not exercised, comprising (i) underwriting-related expenses of approximately HK$17.9 million, including commissions and fees; and (ii) non-underwriting related expenses of approximately HK$70.7 million, including (a) fees and expenses of legal advisors and the Reporting Accountant of approximately HK$40.6 million; and (b) other fees and expenses of approximately HK$30.2 million. Out of the total listing expenses, approximately HK$29.7 million has been charged to our consolidated statements of comprehensive income prior to June 30, 2022. We estimate approximately HK$35.1 million will be charged to our consolidated statements of comprehensive income and the remaining balance of approximately HK$23.8 million is expected to be accounted for as a deduction from equity upon the completion of the Global Offering. Our listing expenses account for 16.3% of the gross proceeds from the Global Offering, as calculated using the mid-point of the Offer Price range.

## FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK$48.0 per Share (being the mid-point of the Offer Price range of between HK$46.0 and HK$50.0 per Share), we estimate that we will receive net proceeds of approximately HK$456 million from the Global Offering after deducting the underwriting commissions and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised.

In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 90% of the net proceeds, or HK$411 million, will be used over the next few years to expand our store network;

- the remaining balance will be used for general corporate purposes.

We estimate that we will receive from the Global Offering net proceeds, after deducting the underwriting fees and estimated expenses payable by us in connection with the Global Offering, in the amount as set out in the following table:

| | **Based on the low-end of the proposed Offer Price range of HK$46.0** | **Based on the middle-end of the proposed Offer Price range of HK$48.0** | **Based on the high-end of the proposed Offer Price range of HK$50.0** |
|---|---|---|---|
| Assuming the Over-allotment Option is not exercised | Approximately HK$434 million | Approximately HK$456 million | Approximately HK$478 million |
| Assuming the Over-allotment Option is exercised in full | Approximately HK$510 million | Approximately HK$535 million | Approximately HK$560 million |

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we may adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we will only place such funds as short-term deposits with licensed banks and/or authorized financial institutions. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

See "Future plans and use of proceeds" for more information.

*In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in "Glossary of technical terms".*

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| "**2020 Non-Voting Ordinary Shares**" | the redeemable and convertible ordinary shares of our Company with a par value of US$1.00 per share, having the same rights and privileges as the 2020 Senior Ordinary Shares, but not including any right to vote, as set forth in the Pre-IPO Shareholders' Agreement |
| "**2020 Senior Ordinary Shares**" | the redeemable and convertible 2020 senior ordinary shares of our Company with a par value of US$1.00 per share, of which 16,794,177 2020 senior ordinary shares were in issue as of the Latest Practicable Date and held by Domino's Pizza LLC, having the rights and restrictions as set forth in the Pre-IPO Shareholders' Agreement |
| "**2021 Non-Voting Ordinary Shares**" | the redeemable and convertible ordinary shares of our Company with a par value of US$1.00 per share, having the same rights and privileges as the 2021 Senior Ordinary Shares, but not including any right to vote, as set forth in the Pre-IPO Shareholders' Agreement |
| "**2021 Plan**" | the share incentive plan our Company adopted on January 1, 2021, as amended from time to time, the principal terms of which are set out in "Statutory and general information – Share Incentive Plans and bonus plans" in Appendix IV |
| "**2021 Senior Ordinary Shares**" | the redeemable and convertible 2021 senior ordinary shares of our Company with a par value of US$1.00 per share, of which 1,306,842 2021 senior ordinary shares were in issue as of the Latest Practicable Date and held by Domino's Pizza LLC, having the rights and restrictions as set forth in the Pre-IPO Shareholders' Agreement |
| "**2022 First Share Incentive Plan**" | the post-IPO share incentive plan our Company adopted on November 29, 2022, as amended from time to time, the principal terms of which are set out in "Statutory and general information – Share Incentive Plans and bonus plans" in Appendix IV |

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| "**2022 Pre-IPO Plan**" | the pre-IPO share incentive plan our Company adopted on September 9, 2022, as amended from time to time, the principal terms of which are set out in "Statutory and general information – Share Incentive Plans and bonus plans" in Appendix IV |
| "**2022 Second Share Incentive Plan**" | the post-IPO share incentive plan our Company adopted on November 23, 2022, as amended from time to time, the principal terms of which are set out in "Statutory and general information – Share Incentive Plans and bonus plans" in Appendix IV |
| "**affiliate(s)**" | with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person |
| "**AFRC**" | the Accounting and Financial Reporting Council |
| "**Articles**" or "**Articles of Association**" | the articles of association of our Company adopted on November 29, 2022 with effect from registration by the Registrar of Corporate Affairs in the BVI immediately prior to the Listing, as amended from time to time, a summary of which is set out in "Summary of the constitution of our Company and BVI company law" in Appendix III |
| "**associate(s)**" | has the meaning ascribed to it under the Listing Rules |
| "**Audit and risk committee**" | the audit and risk committee of our Board |
| "**Board**" | the board of Directors of our Company |
| "**business day**" | any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business |
| "**BVI**" | the British Virgin Islands |
| "**BVI Business Companies Act**" | the BVI Business Companies Act (No. 16 of 2004) (As Revised) of the British Virgin Islands |
| "**CCASS**" | the Central Clearing and Settlement System established and operated by HKSCC |

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| "**CCASS Clearing Participant**" | a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant |
| "**CCASS Custodian Participant**" | a person admitted to participate in CCASS as a custodian participant |
| "**CCASS Investor Participant**" | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation |
| "**CCASS Participant**" | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant |
| "**China**", "**the China mainland**", "**mainland China**" or "**the PRC**" | the People's Republic of China, and for the purposes of this document only, except where the context requires otherwise, references to China, the PRC or the China mainland exclude Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan |
| "**Class A Ordinary Shares**" | Class A convertible ordinary shares of our Company with a par value of US$1.00 per share, of which 39,083,390 Class A ordinary shares were in issue as of the Latest Practicable Date and held by Good Taste Limited, having the rights and restrictions as set forth in the Pre-IPO Shareholders' Agreement |
| "**Companies Ordinance**" | Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "**Companies (Winding Up and Miscellaneous Provisions) Ordinance**" | Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "**Company**", "**our Company**", or "**the Company**" | DPC Dash Ltd 达势股份有限公司 (formerly known as Dash Brands Ltd.), a business company incorporated with limited liability in the BVI on April 30, 2008 |
| "**connected person(s)**" | has the meaning ascribed to it under the Listing Rules |
| "**connected transaction(s)**" | has the meaning ascribed to it under the Listing Rules |

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| "**Controlling Shareholder(s)**" | has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. James Leslie Marshall, Ocean Investments Limited and Good Taste Limited |
| "**core connected person(s)**" | has the meaning ascribed to it under the Listing Rules |
| "**CSRC**" | China Securities Regulatory Commission |
| "**Dash Beijing**" | Beijing Pizzavest Fast Food Co., Ltd. (北京達美樂比薩餅有限公司), a company established under the laws of PRC on July 22, 1996 |
| "**Dash Cayman**" | Pizzavest China Ltd., an exempted company incorporated under the laws of Cayman Islands with limited liability on April 26, 1993 |
| "**Dash HQ**" | Dash Investment Co., Ltd. (達勢投資有限公司), a company established under the laws of PRC on November 1, 2021 |
| "**Dash Shanghai**" | Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司), a company established under the laws of PRC on October 25, 2007 |
| "**Dash Shenzhen**" | Shenzhen Pizzavest Fast Food Co., Ltd. (深圳達美樂餐飲管理有限公司), a company established under the laws of PRC on May 23, 2018 |
| "**Director(s)**" | the director(s) of our Company |
| "**Domino's International**" or "**DPIF**" | Domino's Pizza International Franchising Inc., a Delaware corporation and a subsidiary of Domino's Pizza, Inc. |
| "**DPZ China**" | Dash DPZ China Limited, a company incorporated under the laws of Hong Kong on December 22, 2010 |
| "**EIT Law**" | the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time |

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| "**Extreme Conditions**" | extreme conditions caused by a super typhoon as announced by the Government of Hong Kong |
| "**Frost & Sullivan**" | Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent professional market research and consulting company |
| "**Frost & Sullivan Report**" | an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this prospectus |
| "**Global Offering**" | the Hong Kong Public Offering and the International Offering |
| "**Governmental Authority**" | any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organisation, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational |
| "**GREEN Application Form(s)**" | the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited |
| "**Group**", "**our Group**", "**the Group**", "**we**", "**us**", or "**our**" | the Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time |
| "**HK**" or "**Hong Kong**" | the Hong Kong Special Administrative Region of the People's Republic of China |
| "**HKSCC**" | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| "**HKSCC Nominees**" | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC |
| "**Hong Kong dollars**" or "**HK dollars**" or "**HK$**" | Hong Kong dollars, the lawful currency of Hong Kong |

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| "**Hong Kong Public Offer Shares**" | the 1,135,000 Shares being initially offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in "Structure of the Global Offering") |
| "**Hong Kong Public Offering**" | the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this document, as further described in "Structure of the Global Offering – The Hong Kong Public Offering" |
| "**Hong Kong Share Registrar**" | Computershare Hong Kong Investor Services Limited |
| "**Hong Kong Takeovers Code**" or "**Takeovers Code**" | Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time |
| "**Hong Kong Underwriters**" | the underwriters of the Hong Kong Public Offering as listed in "Underwriting – Hong Kong Underwriters" |
| "**Hong Kong Underwriting Agreement**" | the underwriting agreement, dated December 12, 2022, relating to the Hong Kong Public Offering, entered into by, among others, our Company, the Sole Overall Coordinator and the Hong Kong Underwriters, as further described in "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement" |
| "**IAS**" | International Accounting Standards |
| "**IASB**" | International Accounting Standards Board |
| "**IFRS**" | International Financial Reporting Standards, as issued from time to time by the IASB |
| "**Independent Third Party**" or "**Independent Third Party(ies)**" | any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules |

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| "**International Offer Shares**" | the 10,215,000 being initially offered for subscription under the International Offering together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option (subject to reallocation as described in "Structure of the Global Offering") |
| "**International Offering**" | the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirements under the U.S. Securities Act, as further described in "Structure of the Global Offering" |
| "**International Underwriters**" | the underwriters of the International Offering |
| "**International Underwriting Agreement**" | the international underwriting agreement, expected to be entered into on or about December 16, 2022, relating to the International Offering, expected to be entered into by, among others, our Company, the Sole Overall Coordinator and the International Underwriters, as further described in "Underwriting – International Offering" |
| "**Joint Lead Managers**" | Merrill Lynch (Asia Pacific) Limited and DBS Asia Capital Limited |
| "**Latest Practicable Date**" | December 3, 2022 being the latest practicable date for ascertaining certain information in this document before its publication |
| "**Laws**" | all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any Governmental Authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions |
| "**Listing**" | the listing of the Shares on the Main Board of the Stock Exchange |
| "**Listing Committee**" | the Listing Committee of the Stock Exchange |

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| "**Listing Date**" | the date, expected to be on or about December 23, 2022, on which the Shares are to be listed and on which dealings in the Shares are to be first permitted to take place on the Stock Exchange |
| "**Listing Rules**" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time |
| "**Main Board**" | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange |
| "**Master Franchise Agreement**" or "**MFA**" | the Amended and Restated Master Franchise Agreement by and between Pizzavest China Ltd. and Domino's Pizza International Franchising Inc., dated June 1, 2017, as amended from time to time |
| "**Memorandum**" or "**Memorandum of Association**" | the memorandum of association of our Company adopted on November 29, 2022 with effect from registration by the Registrar of Corporate Affairs in the BVI immediately prior to the Listing, as amended from time to time |
| "**MIIT**" | Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry) |
| "**MOFCOM**" | the Ministry of Commerce of the PRC (中華人民共和國商務部) |
| "**MOHRSS**" | the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) |
| "**NDRC**" | National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) |
| "**Nomination Committee**" | the nomination committee of our Board |
| "**NPC**" | National People's Congress (全國人民代表大會) |

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| "**Offer Price**" | the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Public Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in "Structure of the Global Offering – Pricing and allocation – Determining the pricing of the Offer Shares" |
| "**Offer Share(s)**" | the Hong Kong Public Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option |
| "**Over-allotment Option**" | the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Overall Coordinator on behalf of the International Underwriters for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 1,702,500 additional Shares (representing in aggregate 15% of the initial Offer Shares) to the International Underwriters to, among other things, cover over-allocations in the International Offering, if any, details of which are described in "Structure of the Global Offering – The International Offering – Over-allotment Option" |
| "**PBOC**" | People's Bank of China |
| "**PRC Legal Advisor**" | JunHe LLP, our legal advisor on PRC law |
| "**Pre-IPO Investment(s)**" | the investment(s) in our Company undertaken by the Pre-IPO Investors prior to this initial public offering, the details of which are set out in "History, reorganization and corporate structure – Pre-IPO Investments" |
| "**Pre-IPO Investor(s)**" | the investors who invested in our Company prior to this initial public offering, the details of which are set out in "History, reorganization and corporate structure – Pre-IPO Investments" |

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| "**Pre-IPO Shareholders' Agreement**" | the Amended and Restated Shareholders Agreement by and among our Company and certain of our pre-IPO shareholders, dated December 10, 2021 |
| "**Price Determination Agreement**" | the agreement to be entered into between our Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) at or about the Price Determination Date to record and fix the Offer Price |
| "**Price Determination Date**" | the date, expected to be on or about Friday, December 16, 2022 and in any event no later than Thursday, December 22, 2022, on which the Offer Price is to be fixed for the purposes of the Global Offering |
| "**QIB**" | a qualified institutional buyer within the meaning of Rule 144A |
| "**Regulation S**" | Regulation S under the U.S. Securities Act |
| "**Remuneration Committee**" | the remuneration committee of our Board |
| "**Reorganization**" | the corporate restructuring of the Group in preparation for the Listing, as described in "History, reorganization and corporate structure – Reorganization" |
| "**RMB**" or "**Renminbi**" | Renminbi, the lawful currency of China |
| "**Rule 144A**" | Rule 144A under the U.S. Securities Act |
| "**SAFE**" | the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) |
| "**SAIC**" | the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the State Administration for Market Regulation of the PRC (中華人民共和國國家市場管理總局) |
| "**SAMR**" | the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局) |
| "**SAT**" | State Administration of Taxation (國家税務總局) |

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| "**SCNPC**" | Standing Committee of National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會) |
| "**Senior Ordinary Shares**" | the 2020 Senior Ordinary Shares and the 2021 Senior Ordinary Shares |
| "**SFC**" | Securities and Futures Commission of Hong Kong |
| "**SFO**" or "**Securities and Futures Ordinance**" | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "**Shanghai Domino's**" | Shanghai Domino's Food Co., Ltd. (上海達美樂食品有限公司), a company established under the laws of PRC on April 1, 2019 |
| "**Share(s)**" | ordinary share(s) in our Company, currently with a par value of US$1.00 each<br><br>Unless otherwise specified, in this document, disclosures of shareholding information of our Company immediately upon the completion of the Global Offering are based on the assumptions that (i) the Over-allotment Option is not exercised, (ii) no further Shares are issued under the Share Incentive Plans, and (iii) each Class A Ordinary Share, 2020 Senior Ordinary Share and 2021 Senior Ordinary Share is converted into one Share of our Company on the Listing Date |
| "**Shareholder(s)**" | holder(s) of our Share(s) |
| "**Share Incentive Plans**" | the 2021 Plan, the 2022 Pre-IPO Plan, the 2022 First Share Incentive Plan and the 2022 Second Share Incentive Plan |
| "**Sole Bookrunner**" | Merrill Lynch (Asia Pacific) Limited |
| "**Sole Global Coordinator**" or "**Sole Overall Coordinator**" | Merrill Lynch (Asia Pacific) Limited |
| "**Sole Sponsor**" or "**Sole Sponsor-Overall Coordinator**" | Merrill Lynch (Asia Pacific) Limited |

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| "**Stabilizing Manager**" | Merrill Lynch (Asia Pacific) Limited, through its affiliates |
| "**State Council**" | State Council of the PRC (中華人民共和國國務院) |
| "**Stock Exchange**" or "**Hong Kong Stock Exchange**" | The Stock Exchange of Hong Kong Limited |
| "**subsidiary**" or "**subsidiaries**" | has the meaning ascribed to it in section 15 of the Companies Ordinance |
| "**substantial shareholder(s)**" | has the meaning ascribed to it in the Listing Rules |
| "**Syndicate Capital Market Intermediaries**" | Merrill Lynch (Asia Pacific) Limited and DBS Asia Capital Limited |
| "**Track Record Period**" | the period comprising the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 |
| "**U.S. Securities Act**" | United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder |
| "**Underwriters**" | the Hong Kong Underwriters and the International Underwriters |
| "**Underwriting Agreements**" | the Hong Kong Underwriting Agreement and the International Underwriting Agreement |
| "**United States**", "**U.S.**" or "**US**" | United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| "**US dollars**", "**U.S. dollars**", "**US$**" or "**USD**" | United States dollars, the lawful currency of the United States |
| "**VAT**" | value-added tax |
| "**White Form eIPO Service Provider**" | Computershare Hong Kong Investor Services Limited |
| "**White Form eIPO**" | the application for Hong Kong Public Offer Shares to be issued in the applicant's own name, submitted online through the designated website of the **White Form eIPO** Service Provider, at **www.eipo.com.hk** |
| "***%***" | per cent |

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

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|---|---|
| "**active loyalty program members**" | members of our loyalty program who placed an order on our online channels at least once in the past year |
| "**active users**" | customers who placed an order on our online channels at least once in the past year |
| "**BRCGS**" | Brand Reputation through Compliance Global Standards, a global brand and consumer protection scheme |
| "**CAGR**" | compound annual growth rate |
| "**cash investment payback period**" | the amount of time it takes for the cumulative store operating profit on a cash basis to cover the costs to open a store |
| "**CDP**" | customer data platform |
| "**COVID-19**" | coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus |
| "**EBITDA**" | earnings before interest, taxes, depreciation and amortization |
| "**ERP system**" | enterprise resource planning system, an integrated management system |
| "**GDP**" | gross domestic production |
| "**GFA**" | gross floor area |
| "**HAACP**" | Hazard Analysis Critical Control Points, a food safety risk management system which focuses on identifying and controlling food safety hazards |
| "**initial breakeven period**" | the first month for the revenue of a newly opened store to at least equal its operating expenses on a cash basis |
| "**IT**" or "**I.T.**" | information technology |

| | |
|---|---|
| "**monthly active users**" or "**MAUs**" | the monthly average number of users that placed an order on our online channels during a given period |
| "**new growth markets**" | with respect to the markets in which we operate, Shenzhen, Guangzhou, Hangzhou, Tianjin, Nanjing, Suzhou, Wuxi, Ningbo, Foshan, Dongguan, Zhuhai and Zhongshan |
| "**New Tier 1 Cities**" | for the purpose of this document, Chengdu, Chongqing, Hangzhou, Wuhan, Xi'an, Suzhou, Tianjin, Nanjing, Zhengzhou, Changsha, Dongguan, Shenyang, Qingdao, Ningbo and Foshan |
| "**restaurant chain**" | a catering business model that involves opening a series of restaurants under the same brand |
| "**SKU**" | stock-keeping unit, a scannable bar code, most often seen printed on product labels in a retail store; the label allows vendors to automatically track the movement of inventory |
| "**SSSG**" | same-store sales growth, which is the percentage difference in sales generated by same stores across two consecutive periods, where same stores are those stores that have been open for at least 18 months as of the end of latter period, provided that for a given same store in a given period, only the sales it generates after it qualifies as a same store are included in the calculation of SSSG and such sales are compared against the sales generated by the store in the comparable days of the prior period |
| "**Tier 1 Cities**" | for the purpose of this document, Beijing, Shanghai, Guangzhou and Shenzhen |
| "**Tier 2 Cities**" | for the purpose of this document, Hefei, Kunming, Fuzhou, Wuxi, Xiamen, Jinan, Dalian, Harbin, Wenzhou, Shijiazhuang, Quanzhou, Nanning, Changchun, Nanchang, Guiyang, Jinhua, Changzhou, Huizhou, Jiaxing, Nantong, Xuzhou, Taiyuan, Zhuhai, Zhongshan, Lanzhou, Taizhou, Shaoxing, Yantai, Weifang and Linyi |

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as "will", "expect", "anticipate", "estimate", "believe", "going forward", "ought to", "may", "seek", "should", "intend", "plan", "projection", "could", "vision", "goals", "aim", "aspire", "objective", "target", "schedules", and "outlook") are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our ability to control costs and expenses;
- our ability to identify and satisfy customer demands and preferences;
- the actions and developments of our competitors;
- general economic, political and business conditions in the markets in which we operate;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate;
- certain statements in "Business" and "Financial Information" with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- all other risks and uncertainties described in "Risk factors".

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

*An investment in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares 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 the section titled "Forward-looking statements" of this document.*

## RISKS RELATED TO OUR BUSINESS AND INDUSTRY

### We incurred net losses during the Track Record Period and may not be able to maintain or increase the sales volume of our existing stores, control our costs and expenses and achieve or maintain profitability in the future.

We incurred net losses of RMB181.6 million, RMB274.1 million, RMB471.1 million and RMB95.5 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Whether we would be able to achieve profitability in the future is affected by various factors, including our ability to increase the sales volume from our existing stores, continually grow revenue and our customer base in a cost-effective way by improving our operational efficiency.

Our ability to increase the sales volume from existing stores depends in part upon the successful implementation of measures for increasing traffic to our various customer touch points and sales per customer. These measures include providing a diverse menu, tailoring our food products to the palates of local consumers, enhancing the consumer experience to attract recurring customers, raising customer loyalties and attracting more consumers in off-peak periods. We cannot assure you that the sales volume of existing stores will not decline or that they will achieve their target growths. If we are unable to achieve continued growth in sales volume and revenue from our existing stores in the markets where we operate, our businesses, financial condition and results of operations may be materially and adversely affected.

Our ability to continue to improve operational efficiency depends on, among other things, our ability to enhance customer stickiness, optimize our supply chain management and further achieve economies of scale. Accordingly, we intend to continue to grow the number of our stores, enhance our reputation as a leader in the China pizza market, improve our technology infrastructure, launch novel and localized products, and enhance our delivery and supply chain management. If we are unable to continuously improve operational efficiency, our business, financial condition and results of operations may be materially and adversely affected.

In addition, various uncontrollable factors may affect our ability to achieve profitability, which include general economic condition, such as inflation that could lead to an increase in our overall operational costs, exogenous shocks, such as the COVID-19 pandemic, and governmental regulations and policies which affect our stores' operations. Therefore, there is no guarantee that we can effectively control our costs and expenses and achieve or maintain profitability in the future.

**Opening new stores could adversely affect our financial condition.**

We expect to open new stores in cities across China, and we may enter markets where we have limited operating experience. Through our research of these markets, we believe that there is a substantial opportunity for growing our business and customer base in these markets. However, the competitive dynamics, consumer preferences and consumer spending patterns of new markets may be different from our existing markets. For example, despite our efforts to develop pizzas that are tailored for local palates, many consumers in Tier 2 cities may still prefer local Chinese cuisines. It may take longer than expected for us to develop our menu items and promote our brand locally to gain patronage from such consumers. Therefore, the sales volume and revenue from our new stores in new markets may ramp up slower than we expect. On the operating cost front, the initial running cost may be higher than we expect for these new stores in new markets. For instance, consumers in new markets may not be familiar with our brand and we may need to develop brand awareness in such markets, which may lead to higher advertising and promotion expenses than we expected. We may incur expenses with respect to new stores even before opening, such as rental expenses and staff compensation expense. We may find it more difficult in new markets to hire, inspire and retain qualified staff with the same concept and corporate culture recognition. As we continue to expand our store network, we may build new central kitchens when our existing central kitchens cannot support the operations of our new stores in terms of capacity and proximity. However, it may take a long time for these central kitchens to achieve the requisite operational efficiency for profitability. In addition, we may need more time to establish similar supply chain systems, logistics systems and suitable quality control systems in the new markets. As a result, we cannot assure you that we will be able to maintain or improve our financial condition and results of operations as we continue to expand into new markets and such failure may in turn affect our overall financial condition.

Furthermore, there can be no assurance that actual market demand will meet our expectations, which may result in the over-expansion of our store network. Such over-expansion will result in our inability to recoup our up-front and other investments, leading to significant losses and negative impacts on our liquidity. Therefore, we cannot assure you that we will be able to maintain or improve our financial condition and results of operations as we continue to expand into new markets and such failure may in turn affect our overall financial condition.

**Although we have grown rapidly, we cannot assure you that we will continue to grow at the same pace, or at all.**

Our future growth in part depends on our ability to open and operate new stores. During the Track Record Period, we experienced rapid growth in the number of stores in our network. From January 1, 2019, the beginning of the Track Record Period, through to June 30, 2022, the end of the Track Record Period, the number of stores in our network grew from 188 to 508, representing an increase of 170%. We have adopted a plan to open approximately 120 and 180 new stores in 2022 and 2023. Our future growth is also partly dependent on our ability to operate our existing stores effectively. We regard same-store sales growth, or SSSG, as a key performance metric that evaluates the operations of our existing stores. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, we achieved SSSG of 7.3%, 9.0%, 18.7% and 13.9%, respectively, and recorded positive SSSG during every quarter in the Track Record Period.

The number, timing and success of new stores to be opened and the operating results of our existing stores have been and will be subject to a number of risks and uncertainties, including but not limited to our ability to:

- maintain and enhance the quality of our products and services;
- retain existing customers and attract new customers;
- continually increase customer spending and to implement new initiatives to drive sales;
- continually increase same-store sales;
- identify and secure suitable store sites on commercially reasonable terms;
- effectively implement strategic plans to cope with potential deterioration or other changes to the neighborhood characteristics or demographics of the areas surrounding our stores;
- ensure full compliance with relevant laws and regulations, and maintain adequate and effective control, supervision and risk management of our stores;
- obtain adequate funding for the initial setup costs, including for design, renovation, marketing and other costs typically incurred for the opening of a new store;
- manage the overall costs of our operations, such as cost of raw materials, rental and other operating costs, and advertising and promotion expenses;
- accurately estimate consumer demand in existing and new locations and markets;

- maintain good relationships with third-party suppliers and service providers;
- ensure a stable supply of fresh and high-quality food ingredients from reliable suppliers at reasonable prices and manage the inventory and logistics in an efficient manner at our central kitchens and across all of our stores;
- maintain the strength of our brand in existing markets and successfully promote our brand in new markets; and
- recruit, train and retain sufficient staff, such as store managers, kitchen staff and delivery riders.

Our expansion plan contemplates a more rapid pace of expansion than we have previously undergone in term of new stores to be opened every year and may place significant pressure on us in continuing our growth while ensuring the effective operation of our existing stores, which entails, among others, providing consistent and high-quality food and services, and stable, a user-friendly and technologically advanced online ordering system and ensuring compliance with the existing or new government regulations. We cannot assure you that our investments in opening and operating new stores will generate sufficient returns or have the expected effects on our business operations, if at all. There are no guarantees that we will be able to effectively manage any future growth in an efficient, cost-effective and timely manner, or at all. Our growth in a relatively short period of time is not necessarily indicative of our future results. If we do not effectively manage the growth, if any, of our business and operations, our results of operations and overall business and prospects could be negatively impacted.

**Our business is affected by changes in consumer tastes and dining preferences, and we may not be able to anticipate, identify and react to these changes in a timely manner or at all.**

Our business is affected by changes in consumer tastes and dining preferences, which are constantly changing and difficult to anticipate. We cannot assure you that we can anticipate or react to these changes in a timely manner or at all. During the COVID-19 pandemic, the Chinese government implemented various measures related to restaurants, such as restricting in-store visits, which accelerated the consumer adoption of food delivery as a regular dining habit. As a delivery-focused business, we benefited from this consumer trend. However, if the COVID-19 pandemic gradually eases in China, consumers' dining preferences may change, and consumers may rely less on delivery services for meals. If we fail to anticipate, identify and react to the changes in consumer tastes and dining preferences in a timely manner or at all, or if our competitors are able to react to these changes more effectively, we may face reduced consumer traffic, and our business, financial condition and results of operations may be materially and adversely affected.

In addition, our new food products may not be successful, which could have an adverse impact on our business, results of operations and future prospects. In the event that such new product launches are not widely accepted by our customers, sales of our existing products may also be negatively impacted. Any negative publicity or perception about our food products could materially harm our business, results of operations and financial condition.

**Our success depends on the awareness and popularity of our Domino's Pizza brand, and any damage to our brand, whether in our existing markets or new markets, could materially and adversely affect our business and results of operations.**

We have successfully established the Domino's Pizza brand in China. We believe that maintaining and enhancing our brand to continuously attract consumers are vital to our continued success. Any incident that damages the image of our brand or erodes consumer trust in our brand may cause a material adverse impact on our business and results of operations. Our ability to maintain our brand awareness depends on various factors, some of which are beyond our control. Whether we can continue to maintain and enhance our brand image successfully highly depends on our ability to maintain our timely delivery, excellent taste, great value for money and a simple and convenient online ordering experience. If we are unable to do so, our brand value and image may be undermined, our businesses and results of operations may be adversely and materially affected. As we continue to grow in size, extend our geographic reach and expand our food and service offerings, maintaining the quality of our food and delivery service, consistency of the flavors of our food products and our value for money may become more challenging. If consumers perceive or experience a deterioration in the quality of our offerings, our brand value could suffer and the number of our customers may decline, which could have a material adverse impact on our business. Any events that will harm our reputation, such as liability claims, litigation, consumers' complaints, illegal activities conducted by consumers in our stores, other negative publicity of our food and delivery services, or any violation acts by our competitors such as using our brand illegally, may have a negative effect on our brand. Furthermore, the image of our brand may be affected by reviews made by consumers on the internet and social media platforms. We have no control over the content of such reviews or any photographs published by consumers in relation to our food and our delivery service. Any negative reviews or any such photographs or related content, regardless of their validity, may materially and adversely affect the image of our brand and the results of our operations. We cannot assure you that we will not receive any material consumer complaints or that no one will utilize our brand illegally, which may cause a material adverse effect on our future operation. Any act or violation that damages our reputation or brand may result in adverse impact on our financial condition and results of operations.

In addition, the Domino's Pizza trademark and related intellectual property are owned by Domino's IP Holder LLC, an affiliate of Domino's Pizza, Inc., and licensed to us in the China mainland, Hong Kong SAR, China and Macau SAR, China. Beside us, Domino's International also licenses its trademark and related intellectual property to entities in other international markets. Due to the nature of licensing and our agreements with Domino's International, our reputation and brand awareness in China are also directly affected by the brand strength of Domino's Pizza in other international markets. Any material liability claims, litigation,

consumers' complaints, or other negative publicity relating to Domino's Pizza stores in other international markets, over which we do not have control, may have spillover effects and discourage our customers from ordering from us, resulting in negative impact on our brand image and reputation and ultimately our results of operations.

**We are susceptible to outbreak, epidemic or pandemic of infectious or contagious diseases such as the COVID-19 pandemic, diseases of animals, food-borne illnesses as well as negative publicity relating to such incidents.**

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. 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, our staffing and our revenue. As such diseases could have a material adverse impact on the macroeconomic condition of the affected regions, 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.

The COVID-19 pandemic has materially and adversely affected the global economy. In response, countries and regions around the world, including China, have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of COVID-19. In accordance with local public health guidelines, 30 of our stores suspended operations for a few days in February and March of 2020. In February and March of 2020 and during the second half of March 2022, we experienced temporary staffing shortage at some of our stores as a result of the travel restrictions and quarantine requirements that applied to some of our staff. In 2020, 2021 and the six months ended June 30, 2022, 44, 34 and 329 of our stores closed temporarily for an average of 14, 5 and 28 days, respectively, due to the impact of the COVID-19 pandemic and the related control measures.

In 2022, as a result of the recent outbreak of COVID-19 in certain regions of China, operations at some of our stores in Shanghai, Shenzhen and Beijing have been adversely impacted since mid-March of 2022 as a result of local governments' implementation of temporary lockdowns and travel restrictions. In April 2022, almost all of our stores in Shanghai were closed, for both dine-in and delivery, as a result of citywide lock-downs. Since mid-April, our stores in Shanghai have gradually been allowed to reopen. As of June 30, 2022, almost all of our stores in Shanghai are operating. In Shenzhen, our stores in the city were closed for one week in March. After the one-week citywide lockdown, our business returned to normal in Shenzhen. In Beijing, all dine-in services were suspended from May 1, 2022 to June 6, 2022,

as a result of the COVID-19 control measures imposed by the local government. However, we continue to offer delivery services to our customers in Beijing. Due primarily to the impact of the COVID-19 pandemic and related control measures, our revenues in the first half of 2022 were approximately RMB55 million to RMB65 million lower than our management forecasts for the period. In addition to store closures, we are experiencing staff shortages in Shanghai, particularly with respect to riders, because of the heightened health check requirements and citywide lockdown imposed by the local government there. The recent COVID-19 surge in China has also caused supply chain disruptions. Operations at our central kitchen in Shanghai were negatively impacted, and it became necessary for us to enlist our central kitchens in Sanhe, Hebei Province and Dongguan, Guangdong province to service stores originally covered by our central kitchen in Shanghai, resulting in higher logistics expense. In May 2022, our central kitchen in Shanghai resumed production. Despite these closures, staff shortages and supply chain disruptions, we did not experience a material increase in our operational costs. Additionally, we received COVID-19 related government grants in 2020, 2021 and the first half of 2022. The total amount of government grants we received, which includes certain exemptions on value-added tax granted by the PRC government authorities and additional COVID-19 government grants granted by the PRC government, was RMB14.4 million, RMB2.8 million and RMB4.3 million in 2020, 2021 and the first half of 2022, respectively. For more information on the impact of COVID-19 on our operations, please see "Financial information – Impact of COVID-19 on operations".

We cannot assure you that our efforts to limit the adverse impact of the pandemic will be effective or at all. Furthermore, businesses in the catering industry in China continue to be affected by the COVID-19 pandemic because of the emergence of new strains and mutated variants of COVID-19, including the Alpha, Beta, Gamma, Delta and Omicron variants, which are considered to be highly contagious and pose a serious public health threat. Hence, we may in the future experience additional disruptions that could materially and adversely impact our business operations, financial condition and results of operations, including but not limited to:

- disruptions in our supply chain;
- decrease in consumer traffic or consumer spending arising in connection with the COVID-19 outbreak;
- the possibility that one or more clusters of COVID-19 cases could occur at our stores or work places, or arise from our delivery riders' interaction with our customers;
- difficulties to adequately staff our central kitchens, stores or delivery service, due to our staff's fear of contracting COVID-19;
- inability to implement our growth plans, including delays in construction of new stores and central kitchens; and
- additional regulations or requirements with respect to compensation of our employees.

To the extent that the COVID-19 pandemic adversely affects our business and operations, it may also have the effect of heightening many of the other risks described in this "Risk factors" section, such as those relating to our ability to effectively operate our existing stores, acquire new customers and raise sufficient capital on acceptable terms to support our continuous growth. For the years ended December 31, 2020 and 2021, and the six months ended June 30, 2022, we recognized government grants in the amount of RMB14.4 million, RMB2.8 million and RMB4.3 million, respectively. There is no guarantee that the PRC government will continue to grant us subsidies as the COVID-19 pandemic persists.

There are no comparable recent events that provide guidance as to the effect the COVID-19 pandemic may have, and as a result, the ultimate impact of the pandemic is highly uncertain and subject to change. We do not yet know the full extent of its impact on our business, operations or the global economy as a whole. The extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19, the scope and duration of the restricted measures to contain COVID-19 or treat its impact, evolvement of variants of the virus and effectiveness of the vaccines, among others. While current and future restricted measures may be relaxed or rolled back if and when the pandemic abates, such measures may be reinstated as the situation continues to evolve. The scope and timing of any such reinstatements are difficult to predict and may materially affect our future operations.

**Any failure to maintain effective quality control systems of our stores could have a material adverse effect on our business and operations.**

The quality of the food we serve is critical to our success. Maintaining consistent food quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our quality control systems and our ability to ensure that our employees adhere to those quality control policies and guidelines. Our quality control systems primarily cover (a) procurement and suppliers, (b) logistics, (c) central kitchens and restaurants, and (d) food delivery. For more information, please see "Business – Food safety and quality control". There is no assurance that our quality control systems will remain effective in the ever-changing pizza industry. Any significant failure or deterioration of our quality control systems could have a material adverse effect on our reputation, results of operations and financial condition.

**We rely significantly on our Master Franchise Agreement with Domino's International for our business operations.**

We rely significantly on our Master Franchise Agreement dated June 1, 2017 and the subsequent amendments thereto dated March 27, 2019, May 29, 2019, August 7, 2019, June 8, 2020 and March 24, 2022 with Domino's Pizza International Franchising Inc., or Domino's International. This agreement, as amended, provides us with the exclusive right to develop and operate Domino's Pizza stores and to use and license Domino's system and the associated trademarks in the operation of the pizza stores in China mainland, Hong Kong SAR, China and

Macau SAR, China. The term of the Master Franchise Agreement continues until June 1, 2027 and is renewable at our option for two additional 10-year terms, subject to the fulfillment of certain conditions. Pursuant to the Master Franchise Agreement and Domino's International Store Operating Standards, we are required to seek approval of Domino's International for certain matters, such as the design of our store fronts. We cannot guarantee that Domino's International will not involve themselves in our operating activities in a way that limits our ability to take certain actions or cause a delay in us taking such actions. The Master Franchise Agreement may be terminated by Domino's International as a result of our breach of the agreement, including, without limitation, due to our bankruptcy, our failure to make royalty fee payments to Domino's International under the Master Franchise Agreement, our failure to keep the ingredients, supplies and materials used in the preparation, packaging and delivery, confidential and our failure to open the number of new stores as required under the Master Franchise Agreement. Furthermore, if Domino's International becomes entitled to terminate the Master Franchise Agreement, Domino's International may, at its option, choose to either reduce the licensed territory to any area within China as it may determine, or require the assignment to it of any Domino's Pizza stores controlled by us, in lieu of termination. Therefore, we may be unable to continue with our business operations as result of termination of the Master Franchise Agreement due to our default, or our inability to renew the Master Franchise Agreement upon expiry of its term. For more information, see "History, reorganization and corporate structure – Master Franchise Agreement", "Business – Master Franchise Arrangements", and "Connected transactions – Master Franchise Arrangements – Master Franchise Agreement".

**We may in the future incur intangible asset impairment charges. Significant impairment of our intangible assets, which primarily include our master franchise agreement and goodwill, could materially and adversely impact our financial position and results of operations.**

We carry a significant intangible asset balance on our balance sheet. Our intangible assets consist of goodwill, the Master Franchise Agreement, store franchise fees, acquired software and website, and proprietary website and mobile app. As of December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amount of our intangible assets was RMB1,299.2 million, RMB1,284.7 million, RMB1,254.0 million and RMB1,242.0 million, respectively. There has been no significant impairment of intangible assets during the Track Record Period. We may incur impairment charges on intangible assets in the future as we are actively expanding our store network and the performance of certain stores may not meet our expectation. We are required to review our intangible assets, including goodwill, for impairment on an annual basis or more frequently if events or changes in circumstances indicate evidence of impairment. The application of an intangible asset impairment test requires significant management judgment. Testing for the impairment of goodwill, which amounted to RMB360.5 million as of December 31, 2019, 2020, 2021 and June 30, 2022, requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Based on the results of the impairment assessment, our Directors concluded that no

impairment on goodwill had to be recognized as of the respective balance sheet dates. However, there are inherent uncertainties related to these factors and to our judgment in applying these factors to the assessment of goodwill recoverability. If our estimates and judgment are inaccurate, the fair value determined could be inaccurate and the impairment may not be recognized in a timely manner. If the fair value declines or events or changes in circumstances indicate a potential impairment, we may need to recognize impairment of our intangible assets, including goodwill, in the future, which could have a material adverse effect on our financial position and financial results.

**Our net current liabilities may expose us to certain liquidity risks and may restrain our operational flexibility as well as affecting our ability to expand our businesses.**

During the Track Record Period, our net current liabilities continually decreased from RMB209.6 million as of December 31, 2019 to RMB202.5 million as of December 31, 2020, to RMB65.0 million as of December 31, 2021 and further to RMB64.1 million as of June 30, 2022. As of October 31, 2022, we had net current liabilities of RMB120.3 million. Please refer to "Financial information – Discussion of certain key items of consolidated balance sheets" for further details.

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

**Our success relies on quality delivery service, and risks associated with our dedicated riders may adversely impact our reputation, business and financial performance.**

We offer our customers a 30-minute delivery promise from the moment an order is placed. Therefore, we rely on our dedicated riders to fulfil our delivery orders, including both those placed on our own online channels and third-party channels, to make sure our food reaches consumers in a timely and reliable manner. Interruptions or failures in our delivery service, due to factors such as inclement weather, natural disasters or transportation disruptions, some of which are beyond our control, could impede us in fulfilling the 30-minute delivery promise. If our products are not delivered on time and in proper condition, our customers may refuse to accept our products and have less confidence in our delivery service, in which case our business and reputation may be adversely affected.

In addition, using dedicated riders may subject us to additional risks. For example, we may be exposed to claims for personal injury, death or property damage resulting from traffic accidents caused by delivery riders in performing their services, even though we provide our riders with a Delivery Safety Work Manual before they take their first trips and offer them personal insurance. Such incidents may cause negative publicity in the local community and may negatively affect our brand image and reputation. In addition, as delivery riders interact directly with our customers, we may suffer substantial reputational harm from any misconduct, illegal actions or crimes committed by them. We cannot assure you that such incidents will not occur in the future. To the extent we are unable to provide satisfactory delivery service to our customers, we may suffer reputational damage, and our brand, business, financial condition and results of operations may be materially and adversely affected.

**Our business, financial condition, and results of operations may be materially and adversely affected if we fail to acquire new customers or retain existing customers in a cost-effective manner.**

Our ability to acquire new customers and retain existing customers in a cost-effective manner is critical to the continuing growth of our business and improving our profitability. We attract new customers through a combination of marketing content published through online and offline channels, and retain existing customers by encouraging those who are not registered on our app to join our loyalty program, as well as offering our existing customers coupons and other forms of promotions. We also collaborate with third-party ordering platforms to expand our sales channel and acquire new customers. We incurred advertising and promotion expenses of RMB61.5 million, RMB86.3 million, RMB121.9 million, RMB59.6 million and RMB53.9 million for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 7.4%, 7.8%, 7.6%, 7.8% and 5.9% of our total revenue in the same periods. We expect to continue to spend on advertising and promotion activities to attract new customers and retain existing ones. However, we may incur higher advertising and promotion expenses if social media platforms increase their charges on us for the maintenance and promotion of our accounts and content, respectively, or if there is an increase in the market price for utilizing offline marketing campaigns, such as billboards or subway advertising. Also, if the fees charged by third-party ordering platforms increase, our advertising and promotion expenses to revenue generated from these platforms will be higher. There is no guarantee that our customers will stick with us or that the net profits from new customers will outweigh the expense of acquiring them.

In addition, if our existing customers no longer find our food appealing or are unsatisfied with our services, or if our competitors deliver more appealing food products, rates, discounts, or customer service, our existing customers may lose interest in us, reduce their order frequency or even stop ordering from us. If we are unable to retain our existing customers or acquire new customers in a cost-effective manner, our revenues may decrease and our results of operations will be adversely affected.

**Our investment in technologies may not generate the level of returns as expected.**

Historically, we have invested significantly in a stack of digitalization and data tools to optimize our business operations and engage our customers. For example, our digitally integrated enterprise resource planning (ERP) system tracks the inventory of our food ingredients and other supplies in our supply chain to help us gauge inventory across the entire supply chain. For more information on the technologies that we use and develop, please see "Business – Our technology and data insights" and "Business – Supply chain management – Digitalization and automation". As part of our business strategy, we intend to continue investing in the development of our technology infrastructure. We cannot assure you that our investments in technology will generate sufficient returns or have the expected effects on our business operations, if at all. If our technology investments do not meet expectations for the foregoing and other reasons, our prospects may be materially and adversely affected.

**If our suppliers do not deliver quality food ingredients at competitive prices or in a timely manner, we may experience supply shortages and increased procurement costs.**

The ability to source quality food ingredients at competitive prices in a timely manner is crucial to our business. Our ability to maintain consistent quality of food and maintain our menu 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 2019, 2020, 2021 and the six months ended June 30, 2022 amounted to RMB81.6 million, RMB151.3 million, RMB209.3 million and RMB136.4 million, respectively, and accounted for 27.2%, 28.5%, 29.6% and 34.1% 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, and 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, each of which may affect our food costs or the stability of our supply. 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. There is no guarantee that we will be able to maintain the purchase costs for food ingredients. In addition, there is no assurance that our current suppliers will always be able to meet our stringent quality control requirements in the future. If any of our suppliers do not perform adequately or otherwise fail to distribute quality food ingredients to us in a timely manner, we cannot assure you that we will be able to find suitable replacement suppliers on acceptable terms or within a reasonable time frame. Any failure to do so could increase our food costs and could cause shortages of food ingredients at our stores, which may cause us to remove certain items from the menus of one or more stores or cause us to replace certain food ingredients with others that may taste different. Any significant changes to our menus for a prolonged period of time could result in a significant reduction in revenue during the time affected by the shortage and could adversely affect our brand value.

**Any disruption of the operation of our central kitchens could adversely affect our business and operations.**

We rely on our central kitchens to supply a majority of our semi-processed or processed food ingredients used in our stores. As of the Latest Practicable Date, we have three central kitchens that serve our stores across the 14 cities in which we operate. For more information on our central kitchens, please see "Business – Supply chain management – Our central kitchens". Any disruption of operations at our central kitchens, such as electricity or water suspensions, or closure due to quarantine or disinfection measures, may affect our ability to distribute food ingredients to our stores in a timely manner, or at all, which may disrupt our stores' ability to serve certain menu items or operate at all, whether temporarily or on a permanent basis. If we temporarily choose third-party suppliers to supply semi-processed or processed food ingredients due to such interruption, our operating costs may increase and we may not be able to maintain consistent food quality due to the short notice of such replacement measure. Alternatively, if we remove certain menu items from our store offerings, we may experience reduction in revenue and our brand value may suffer, resulting in adverse effect on our business and results of operations.

**We may be subject to inventory obsolescence risk.**

Our raw materials, semi-processed and processed food ingredients used in our stores procured from our suppliers have limited shelf life. As the age of these raw materials, semi-processed and processed food ingredients increases, our inventory obsolescence risk increases. Currently we operate central kitchens in order to effectively consolidate control over our inventory storage, inventory monitoring and logistics functions, but certain factors, such as the changing popularity of the relevant menu items and consumer demand at our stores, are beyond our control. As a result, we cannot guarantee that our inventories can be fully utilized within their shelf life. As our business expands, our inventory obsolescence risk may also increase commensurately with the increased purchase of inventories. Furthermore, any unpredicted and adverse changes to the optimal storage conditions at our stores or our central kitchens may expedite the deterioration of our inventories which in turn increase our inventory obsolescence risk.

**Since we require various approvals, licenses and permits to operate our 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.**

In accordance with the PRC laws and regulations, we are required to hold various approvals, licenses and permits in order to operate our stores and our central kitchens. Each of our stores in the PRC is required to obtain an operation license issued by relevant Chinese government departments, and should carry out catering business within the business scope of the operation license. In addition, our stores are also subject to various regulations, which affect various aspects of our businesses in the cities where we operate, including but not limited to fire safety, food hygiene, environmental protection and control on indoor smoking. Each of our stores is required to obtain various licenses and permits in accordance with these

regulations or carry out record filing procedures. Most of the licenses are subject to examinations or verifications by relevant authorities while some of the permits are valid only for a certain period of time and subject to renewal and accreditation. We may incur substantial cost in order to comply with government regulations, and any non-compliance may expose us to liability. We may be subject to fines, confiscation of income from relevant stores and termination of the operation of such existing or new stores lacking the required licenses and permits, or subject to suspension of sales of certain products in accordance with the relevant laws and regulations if we fail to deal with non-compliance events, to the extent that they occur, in a timely manner. We may also experience negative publicity arising from such non-compliance with government regulations that negatively impacts our brand and reputation. The occurrence of any one or more of the aforementioned events may have a material adverse impact on our businesses and results of operations. Please see "Regulations – Overview of PRC laws and regulations – Laws and regulations relating to the licenses and permits" and "Regulations – Regulations relating to fire prevention".

PRC laws and regulations relating to food and catering industry change rapidly and may vary in terms of implementation in different regions. Following the issuance of the amended Fire Prevention Law and the subsequent Notice on the Full Implementation of the Notification and Commitment Management of Public Assembly Place Fire Safety Inspections before Commencement of Operations (關於貫徹實施新修改《中華人民共和國消防法》全面實行公眾聚集場所投入使用營業前消防安全檢查告知承諾管理的通知), Beijing Fire and Rescue Force requires all public assembly places in Beijing, regardless of property sizes, to obtain Fire Safety Inspection Approvals before beginning their operations since July 26, 2021. This regulatory change had caused us to incur extra time and costs in opening new stores. As of the Latest Practicable Date, a total of three stores, or approximately 0.5% of the total number of our stores as of the Latest Practicable Date, had not obtained the requisite Fire Safety Inspection Approvals. Although we had submitted the applications for Fire Safety Inspection Approvals for these stores, the processing had been prolonged due to the COVID-19 pandemic control measures. We cannot assure you that our applications will be approved in a timely manner or at all, and we may subject to fines or be required to cease the operations of these stores for the lack of such Fire Safety Inspection Approvals, although we had not received any such notices or warnings during the Track Record Period and up to the Latest Practicable Date.

In addition, government authorities may promulgate new laws, rules and regulations from time to time to strengthen the implementation of existing laws, rules and regulations, which may require us to obtain new and additional licenses, permits or approvals or otherwise increase our compliance costs. There may be great uncertainty in the interpretation and implementation of existing and future laws and regulations governing our business activities. If we fail to comply with the latest laws and regulations, we may experience material adverse impact on our business, financial condition and results of operations.

**Failure to comply with PRC regulations on labor dispatch may subject us to penalties.**

During the Track Record Period, we engaged third-party employment agencies to hire dispatch workers. According to the Labor Contract Law of the PRC and the Interim Provisions on Labor Dispatch, the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers). During the Track Record Period, we hired dispatched workers through dispatch agencies for several of our subsidiaries, and the number of our dispatched workers exceeding the 10% legal threshold was 41, 112, 259 and 287 in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. As of the Latest Practicable Date, the relevant subsidiary had reduced the number of the dispatched workers to below the 10% legal limit, and none of our subsidiaries had received any notice or been subject to any administrative penalties or other disciplinary actions in relation to labor and social security from the relevant authorities. Although the relevant subsidiary has not received any notice of warning or been subjected to any administrative penalties or other disciplinary actions from the relevant PRC authorities, we cannot assure you that the relevant PRC authorities will not take actions against the relevant subsidiary for its past practice that may adversely affect our business, profitability and reputation.

**Any significant liability claims or food contamination complaints from our customers could adversely affect our business and operations.**

Our customers may submit or file complaints or claims against us regarding our food and services. Being in the catering industry, we face an inherent risk of food contamination, complaints and liability claims filed by our customers.

Our food quality depends partly on the quality of the food ingredients and raw materials provided by our suppliers and we may not be able to detect all defects in our supplies. Also, all of our raw materials, semi-processed and processed food ingredients used in our stores were initially handled by our central kitchens or our suppliers. Any food contamination occurring at our central kitchens or suppliers' facilities or during the transportation from our central kitchens or suppliers' facilities to our stores that we fail to detect or prevent could adversely affect the quality of the food delivered to our customers or served in our stores and consumer satisfaction. Due to the scale of our operations, we also face the risk that certain of our in-store employees may not adhere to our mandated procedures and requirements, which could expose us to additional risk of food contamination. Any failure to detect defective food supplies, or observe proper hygiene, cleanliness and other quality control requirements or standards in our operations could adversely affect the quality of the food we serve, which could lead to liability claims, complaints and related adverse publicity, reduced consumer traffic at our stores, the imposition of penalties against us by relevant authorities and compensation awards by courts.

We cannot assure you that we will not receive any material complaints, claims, orders or penalties in relation to food and health-related matters in the future. Any such incidents could materially harm our reputation, results of operations and financial condition. A multi-location restaurant business such as ours can also be adversely affected by negative publicity or news reports, whether accurate or not, regarding food quality issues, public health concerns, illness, safety, injury or government or industry findings concerning our stores or other service providers across the food industry supply chain. Any such negative publicity could materially harm our business and results of operations and result in damage to our brand.

**We may be unable to receive compensation from suppliers for contaminated raw materials used in the food sold in our stores and indemnity provisions in our supply contracts may be insufficient.**

Our food quality is partly dependent on the quality of the raw materials and food ingredients provided by the suppliers. Our failure to discover the defects in the supply during our operation may lead to liability claims, complaints and negative publicity, a decrease in the customer traffic of our stores, the penalty by relevant authorities, and potential civil liabilities. If we face food safety claims due to contaminated or other defective raw materials, food ingredients and other goods from suppliers, we may try to seek compensation from the relevant suppliers. However, the compensation terms of our supply contracts may not be sufficient to cover loss of profits and indirect or joint losses. If the claim against the supplier is not established, or we are unable to recover the amount of the claim from the supplier, we may have to bear such losses and compensation by ourselves. Any of these events could adversely affect our reputation, results of operations and financial condition.

**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 positions, 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 revenues from our store operations in China during the Track Record Period, the performance of which is closely related to the macroeconomic conditions of China. The growth of the Chinese economy has slowed down in recent years as compared to the previous years. According to National Bureau of Statistics of China, China's real GDP growth rate was 6.8% in 2017 and decreased to 6.6% in 2018 and 6.0% in 2019. As a result of the COVID-19 pandemic, in 2020 and 2021, China's real GDP growth rate was 2.3% and 8.1%, respectively. An economic downturn, whether actual or perceived, a further decrease in the economic growth rates or an uncertainty in the economic outlook in China or any other places where we operate may have a material adverse impact on consumer expenditure. In 2019, 2020 and 2021, the average sales value per order at our stores was RMB80.4, RMB85.1 and RMB90.5, respectively. In the six months ended June 30, 2021 and 2022, the average sales value per order at our stores was RMB89.0 and RMB95.1, respectively. Any deterioration of the Chinese 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 digital channels and the average sales value per order, which could materially and adversely affect our business, financial condition and results of operations. In addition, the monetary and fiscal policies imposed by the Chinese government in response to the COVID-19 pandemic may lead to growth in the money supply and accordingly inflation. If the amounts we charge our customers go up at a rate that is insufficient to compensate for the rise in our costs, our business may be materially and adversely affected.

**Our results of operations may fluctuate due to seasonality.**

We have been subject to certain levels of seasonal fluctuations with respect to customer orders. For instance, we typically see more customer orders and generate higher sales during the summer and winter months, including January, July, August and December, driven by the school holidays and holiday seasons, as compared to the remaining months. 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.

**If we are unable to renew the leases of existing stores on commercially reasonable terms or are unable to open our stores in suitable store locations, our businesses, results of operations and ability to achieve growth strategies would be materially and adversely affected.**

We compete with other store operators for suitable locations. In addition, some landlords and developers may offer priority or grant exclusive operating rights of desirable locations to our competitors. We cannot assure you that we will be able to enter into new lease agreements for suitable land lots or renew the existing lease agreements on commercially reasonable terms. We may need to negotiate the terms of renewal with lessors, who may insist on making material amendments to the terms and conditions of the lease agreement. If the rate of the renewed lease agreement is substantially higher than the current rate, or if other existing concessionary terms (if any) granted by the lessor are not extended, we must assess whether renewing the agreement in accordance with the amended terms is in our commercial interest. If we cannot renew the lease of the property for our stores for any reason, we will have to close or relocate the relevant stores, which could reduce the revenue contribution of that store during the period of closure and is subject to construction, decoration and other costs and risks or affect our existing customer base. In addition, the revenue and profit generated from the relocated stores could be lower than that before the relocation. Therefore, in case the lease agreement of the desirable store location is not obtained or the current lease agreement is not renewed at commercially reasonable conditions, our businesses, financial condition and results of operations might be materially and adversely affected.

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

As of the Latest Practicable Date, with respect to 16 out of 576 of our leased properties in China, the lessors of such properties had still not provided us valid title certificates, or relevant proofs evidencing the legality of the construction of the leased properties, despite the proactive requests we previously made. The 16 leased properties have an aggregate GFA of 2,799.62 square meters, representing 2.90% of the total GFA of our leased properties in China. 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, the relevant lease agreements would be invalid, and as a result, we may be required to vacate from

the relevant properties and relocate our stores. In this event, our operation of stores in such properties may be impaired and we may not be adequately indemnified by the landlords for our related losses. Also, we will incur additional costs in relocating our stores 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. However, the enforcement of this legal requirement varies depending on the local regulations and practices. As advised by our PRC Legal Advisor, the relevant local housing authorities may require us to complete the registration process within the prescribed period, and we may be subject to penalties of RMB1,000 to RMB10,000 as a result of a delay in filing for each of such properties. As of the Latest Practicable Date, the lease agreements with respect to 523 out of 576 of our leased properties have not been registered with the relevant PRC government authorities. 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 and facilities".

**Our operations are affected by risks related to the increase or fluctuation of rental cost, unexpected land acquisition, closure of buildings and demolition.**

All of our stores are located in leased properties. Our rental expenses mainly include the depreciation charge of capitalized lease incurred by long-term leased properties for operating our stores and variable lease rental payment, short-term rental and other related expenses. In 2019, 2020, 2021 and the six months ended June 30, 2022, our rental expenses amounted to RMB105.5 million, RMB136.6 million, RMB180.0 million and RMB105.2 million, representing 12.6%, 12.4%, 11.2% and 11.6% of our total revenue for the corresponding period, respectively. As our depreciation of right-of-use assets and other rents and related fees are a considerable part of our total operating expenses, if the rental expenses for our stores increase significantly, our financial condition may be adversely affected.

Similar to the legal framework of eminent domain in other jurisdictions, such as the United States, the Chinese government may require a holder of land use rights to forfeit such rights for special eminent domain public purposes, in which event the government is required to compensate the holder of the forfeited land use rights. Under such circumstance, we will be forced to move to other locations, and this could in turn affect our businesses, financial condition and results of operations.

**Events that disrupt our operations, such as fires, floods, or other natural or man-made disasters, may materially and adversely affect our business operations.**

Our operations are vulnerable to interruption by fires, floods, typhoons, power failures and power shortages, hardware and software failures, computer viruses, terrorist attacks and other events beyond our control. Our business is also dependent on prompt delivery and transportation of our raw materials and food ingredients. Certain events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays and labor strikes, could also lead to temporary suspension or disruption of our technology infrastructure, delayed or lost deliveries of food supplies to our central kitchens and our stores or delayed or lost deliveries of food to our customers, which may result in the loss of revenue or consumer claims. Perishable food ingredients, such as fresh, chilled or frozen food ingredients, may deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our suppliers or our logistics partners. This may result in failure to provide quality food and services to our customers, thereby adversely affecting our business and damaging our reputation. Fires, floods, earthquakes and terrorist attacks may lead to evacuations and other disruptions in our operations, which may also prevent us from providing quality food and service to consumers for an indefinite period of time, thereby affecting our business and damaging our reputation. Any such event could materially and adversely affect our business operations and 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.**

The proper functioning of our technology infrastructure is critical to our business as substantially all of our customers' orders are placed through digital channels. We rely on our technology to improve customer engagement and our operational efficiency, among others. The risks we face in relation to the disruption of our technology infrastructure include:

- We rely on certain third-party platforms and services, such as cloud services and payment services, to conduct our business and any interruptions or delays in such platforms and services may impair our normal operations. For example, in October 2020, our third-party cloud service provider experienced a critical system incident due to network failure. We were adversely impacted because our customers were unable to place online orders with us for three hours. Although we have taken measures to reduce our reliance on third-party platforms and services, we continue to rely on them in the ordinary course of our business, there is no assurance that we will not face similar disruptions in future.

- We may encounter problems when upgrading our technology infrastructure including our proprietary app and website, our mini program on social media platforms, computer systems and software. The development, upgrades and implementation of our technology infrastructure are complex processes. Issues not identified during pre-launch testing of new features or services on our app, website and mini program may only become evident when such features or services are made available to our entire customer base.

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

These and other events may lead to the temporary or prolonged inaccessibility of our proprietary app and website and our mini program on social media platforms, interruption of our supply chain and delivery, leakage or permanent loss of customer data, interruptions or decreases in connection speed, or other events which would affect our operations. If we experience frequent or persistent service disruptions, whether caused by failures of our own systems or those of third-party platforms, we may not be able to consistently produce high quality food, make timely deliveries and provide a simple and convenient online ordering experience to our customers. Hence, our customer satisfaction may be significantly undermined, our reputation or relationships with our customers may be damaged and as a result, our customers may shift away from us and purchase food and beverages from our competitors, which may have a material adverse effect on our business, financial condition and results of operations.

**The determination of the fair value changes of financial liabilities at fair value through profit or loss could affect our Group's financial performance.**

We have issued to investors convertible senior ordinary shares. For more information about the terms of convertible senior ordinary shares including their conversion rights and redemption features, see Note 25 to the Accountants' Report set out in Appendix I to this document. We designate convertible senior ordinary shares as financial liabilities at FVPL. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as expense in profit or loss. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our fair value change of financial liabilities at FVPL was nil, a loss of RMB13.9 million, a loss of RMB201.3 million, a loss of RMB83.4 million and a loss of RMB1.1 million, respectively. See the Consolidated Statements of Comprehensive Income set out on page I-5 of Appendix I to this document. We use significant unobservable inputs, such as revenue growth rate, pre-tax discount rate, terminal growth rate and volatility, marketability, risk-free interest rate, expected rate of return and discount rate, in valuing of our convertible senior ordinary shares. The fair value change of convertible senior ordinary shares may significantly affect our financial position. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such liabilities. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of financial condition.

**Uncertainties related to the recoverability of our deferred tax assets could materially and adversely affect our results of operations.**

We recorded deferred tax assets of nil, nil, RMB28.6 million and RMB38.4 million as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. We periodically assess the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, in view of factors beyond our control, such as general economic conditions and the ongoing development of the COVID-19 pandemic, there is no assurance that our expectation of future earnings will be accurate. Should our expectation of our future earnings prove to be inaccurate, we may not be able to recover our deferred tax assets which thereby could have an adverse effect on our results of operations.

**We may not be able to fulfil our obligation in respect of the contract liabilities, which may impact our cash position.**

We may not be able to fulfil our obligation in respect of the contract liabilities which may impact our cash position. We recorded contract liabilities of RMB11.8 million, RMB17.3 million, RMB23.2 million and RMB27.1 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Our contract liabilities mainly arise from award credits issued in the customer loyalty scheme and coupons for compensation of late delivery, both of which can be used in future consumptions in the stores and cannot be recognized as revenue. During the Track Record Period, the amount of contract liabilities relating to award credits was RMB10.1 million, RMB15.1 million, RMB21.3 million and RMB23.9 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, while the amount of contract liabilities relating to late coupons was RMB0.6 million, RMB0.7 million, RMB0.8 million and RMB1.3 million in the same periods, respectively. We may fail to fulfil our obligations under our contracts with customers for various reasons beyond our control, which may significantly damage our reputation and brand image, and divert potential customers.

**Our liquidity and financial condition may be materially and adversely affected if we fail to collect our rental deposits in a timely manner, or at all.**

We may encounter difficulties in collecting rental deposits from our lessors. During the Track Record Period, all of our restaurants premises were operated on leased properties and a large amount of rental deposits need to be paid. Since we lease all of the properties for our restaurant operations, we are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs. We generally enter into long-term leases of approximately 1 to 10 years with an option to renew for our restaurants. Rent under a substantial majority of our leases is fixed amounts and subject to incremental increases every two to three years as stipulated in the lease agreement. We renegotiate the terms and conditions, such as rent, when renewing substantially all of our leases. As a result, we may face risk in terms of recollecting our deposits if closure or demolition takes place on any of the properties housing our stores. Although our management's estimation and the related assumptions have been made in accordance with the information currently available to us, such estimation or assumptions may need to be adjusted if new information becomes known. In the

event that the actual recoverability is lower than expected, or that our past provision for impairment of prepayments and other receivables becomes insufficient in light of the new information, we may need to make more provision for impairment, which may in turn materially and adversely affect our business, financial condition and results of operations. As of December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amount of our prepayments, deposits and other receivables was RMB83.9 million, RMB116.9 million, RMB115.4 million and RMB91.4 million, respectively.

**If we fail to adopt new technologies to meet the evolving customer needs or emerging industry trends, our business may be materially and adversely affected.**

To remain competitive, we must continue to stay abreast of the constantly evolving industry trends and to enhance and improve our technology accordingly. Our success will depend, in part, on our ability to introduce and apply technologies useful in our business to improve our customer experience and operating efficiency. Although we expect to continue investing in technology development, there can be no assurance that we will be able to use new technologies effectively to meet customer requirements. If we are unable to adapt in a cost-effective and timely manner in response to changing market conditions or customer preferences, whether for technical, legal, financial or other reasons, our business may be materially and adversely affected.

**Our business depends on the performance of, and our long-term relationships with, third-party channels and third-party payment service providers.**

Our food delivery business partly depends on the performance of and our long-term relationships with third-party channels. We allow our products to be listed on and ordered through their online platforms. In 2019, 2020, 2021 and the six months ended June 30, 2022, approximately 52.9%, 51.8%, 47.3% and 42.2%, respectively, of our revenues were generated from third-party channels, with Meituan and Ele.me accounting for the majority of such revenues. Accordingly, if we fail to extend or renew the agreements with these ordering channels on acceptable terms, or at all, our business and results of operations may be materially and adversely affected, and any increase in the fees charged by the third-party channels could negatively impact our operating results. In addition, as third-party channels offer consumers a wide selection of restaurants in addition to ours, we compete on third-party channels for consumer orders. Certain third-party channels also offer their own customer loyalty programs. We cannot assure you that the competitiveness of our product offerings and our customer loyalty program on third-party channels will not decrease in the future, and any such decrease may result in a reduction in our customer reach or brand awareness, and may adversely affect our business and operating results.

In 2021 and the six months ended June 30, 2022, approximately 98.3% and 99.4%, respectively, of our gross revenues (before the deduction of value-added tax) were generated by orders placed on either (i) our own online channels that were settled through digital payment methods, including Alipay, Weixin Pay, UnionPay and other digital payment methods or (ii) third-party channels. See "Business – Settlement and cash management" for a detailed

breakdown. Therefore, the ability to accept digital payments through our own online channels or third party channels is critical to our business. We accept payments through third-party payment service providers, such as WeChat Pay, Alipay and Union Pay. If we fail to extend or renew the agreements with these mobile payment processors on acceptable terms or if these payment service providers are unwilling or unable to provide us with payment service or impose onerous requirements on us in order to access their services, or if they increase the fees they charge us for these services, our business and results of operations could be harmed. Furthermore, to the extent we rely on the systems of the third-party payment service providers, any defects, failures and interruptions in their systems could result in similar adverse effects on our business.

**Security breaches and attacks against our systems and network, and any potentially resulting breach or failure to otherwise protect confidential and proprietary information could damage our reputation and negatively impact our business, as well as materially and adversely affect our financial condition and results of operations.**

We collect, process and store significant amount of data concerning our customers, business partners and employees, including personal and transaction data involving our customers. We also rely on our computer systems and network infrastructure across our operations to conduct and monitor the daily operations of our stores, such as food production and food delivery, and to collect accurate up-to-date financial and operating data for business analysis. Substantially all of our sales are completed digitally, which makes our business operations dependent on the continued maintenance and enhancement of our computer systems and network infrastructure. Our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial-of-service or other interruption to our business operations. In cases of ransomware attacks, we may be asked to make a large lump-sum payment in order to resume the operation of our system, which may materially and adversely impact our brand and financial condition. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we may be unable to anticipate, or implement adequate measures to protect against, these attacks.

Advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining such confidential or private information we hold as a result of our customers' visits to our website and use of our mobile application and mini program. Such individuals or entities obtaining our customers' confidential or private information may further engage in various other illegal activities using such information. In addition, we have limited

control or influence over the security policies or measures adopted by third-party logistics and payment service providers. Any negative publicity on our website's, mobile application's, or mini program's safety or privacy protection mechanisms and policies, and any claims asserted against us or fines imposed upon us as a result of actual or perceived failures, could have a material and adverse effect on our public image, reputation, financial condition and results of operations. We cannot assure you that breaches of information security measures will not occur in the future. Any compromise of our information security or the information security measures of third-party service providers could have a material and adverse effect on our reputation, business, prospects, financial condition and results of operations.

Significant capital and other resources may be required to protect against information security breaches or to alleviate problems caused by such breaches or to comply with our privacy policies or privacy-related legal obligations. The resources required may increase over time as the methods used by hackers and others engaged in online criminal activities are increasingly sophisticated and constantly evolving. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other user data, or any failure to comply with the reporting obligations of cybersecurity incidents as required by various laws and regulations to the relevant competent authorities could cause our customers to lose trust in us and could expose us to legal claims or administrative penalties. Any perception by the public that online transactions or the privacy of user information are becoming increasingly unsafe or vulnerable to attacks may reduce the number of orders we receive, inhibit the growth of our business and adversely impact our reputation and results of operations.

**Our business is subject to complex and evolving laws and regulations regarding cybersecurity, privacy, data protection and information security in China. Any privacy or data security breach or failure to comply with these laws and regulations could damage our reputation and brand and substantially harm our business and results of operations.**

In recent years, government authorities across the world have been increasingly focusing on privacy and data protection. In particular, the Chinese government has enacted a series of laws and regulations on the protection of personally identifiable data in the past few years. The laws and regulations regarding privacy and data protection are generally complex and evolving, with uncertainty as to the interpretation and application thereof. 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. For example, in August 2022, we were the subject of a notice, issued by the relevant authorities requiring us to complete certain rectification measures with respect to our app on Baidu Mobile Assistant by September 5, 2022. The rectification measures required the technical removal of the recurring location request from the app if the request had already been rejected by the user. As of the date of this document, we have taken immediate rectification measures to ensure compliance with the relevant laws and regulations according to the notice, and we have not been subject to any administrative penalties in relation to data and personal information protection. Additionally, the effectiveness of our privacy and data protection measures is also subject to system failure,

interruption, inadequacy, security breaches or cyberattacks. If we are unable to comply with the then-applicable laws and regulations, or to address any privacy and data protection concerns, such actual or alleged failure could damage our reputation, deter current and potential customers from ordering from us and could subject us to significant legal, financial, and operational consequences.

We may be subject to laws and regulations regarding privacy and data protection in China, including, among others, the Cybersecurity Law, the Civil Code, the Law on the Protection of Consumer Rights and Interests, and the Personal Information Protection Law, accentuating the importance of personal information processors' obligations and responsibilities for personal information protection. Such laws and regulations include restrictions on the collection, use and storage of personal information and requirements to take steps to prevent personal data from being divulged, stolen, illegally transferred or tampered with. For example, the CAC issued the Measures for the Security Assessment of Outbound Data Transfer (《數據出境安全評估辦法》) (the "**Measures**") on July 7, 2022, which took effect on September 1, 2022. The Measures shall apply to the security assessment of data processors' provision of important data and personal information collected and generated in their operations within the territory of the PRC to overseas recipients. The Measures require relevant data processors to submit a data security assessment to the CAC for review prior to the outbound data transfer activities in order to prevent illegal data transfer activities. Under the Personal Information Protection Law, if a company wishes to collect or use personal information, the collection of personal information must be limited to the minimum scope necessary for achieving the processing purpose and shall not be excessive. It is also required under the Personal Information Protection Law that the processing of personal information must be carried out with clear and reasonable purposes and be directly related to such purposes, in a manner that has the minimum impact on the rights and interests of individuals. Further, it must disclose to its users the purpose, method and scope of any such collection or use, and must have appropriate legal basis under applicable laws and regulations, such as the consent from its users whose information is being collected or used. Since we offer our products and services to end customers through online channels, our operations may fall under the purview of laws and regulations governing the collection and processing of personal information, pursuant to which we may be deemed to be Internet service providers. Internet service providers are also required to establish and publish their rules relating to personal information collection or use, keep any collected information strictly confidential and take technological and other measures to maintain the security of such information.

In addition, on June 10, 2021, the Standing Committee of the National People's Congress issued the Data Security Law (《數據安全法》) to regulate data processing activities and security supervision in the PRC, which took effect on September 1, 2021. The Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. Any organizational or individual data processing activities that violate the Data Security Law shall bear the corresponding civil, administrative or criminal liabilities depending on specific circumstances. On December 28, 2021, the Cyberspace Administration of China (the "**CAC**") adopted the updated Cybersecurity Review Measures (《網絡安全審查辦法》), which came into effect on February 15, 2022. Pursuant to the updated Cybersecurity Review Measures, if a critical information infrastructure

operator (the "**CIIO**") purchases internet products and services, or an internet platform operator carries out data processing activities, which implicate or might implicate national security, such operators should be subject to cybersecurity review by the Cybersecurity Review Office of the CAC. Due to the lack of further interpretations, the exact scopes of "CIIO" and "internet platform operator" under the updated Cybersecurity Review Measures remain unclear. On March 4, 2022, our PRC Legal Advisor and the Sole Sponsor's PRC Legal Advisor together made a telephone consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the "**CCRTCC**"), the department responsible for accepting applications for cybersecurity review and conducting formality review under the guidance of Cybersecurity Review Office of the CAC, and based on the results of this consultation, we are not required to initiate a submission for cybersecurity review in connection with the Listing under the updated Cybersecurity Review Measures. On November 14, 2021, the CAC publicly solicited opinions on the Regulations on the Administration of 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 requires data processors to comply with certain requirements during their daily operation and further stipulates that data processors shall apply for cybersecurity reviews in certain situations including any data processor intending to be listed in Hong Kong that affects or may affect national security. However, the Draft Data Security Regulations does not specify what constitutes "affects or may affect national security", and the PRC government authorities may have broad discretions in the interpretation of "affects or may affect national security". For detailed information, please refer to "Regulations – Overview of PRC laws and regulations – Regulations relating to information security and data protection". As of the Latest Practicable Date, the Draft Data Security Regulations has not been formally adopted. We cannot guarantee whether we will be subject to the cybersecurity review or if new rules or regulations promulgated in the future will impose additional compliance requirements on us.

We may be subject to laws and regulations relating to the security and privacy of data, including the collection, use and storage of personal information, of jurisdictions other than the PRC. Any failure, or perceived failure, by us, or by our partners, to maintain the security of our user data or to comply with applicable PRC or foreign privacy, data security and personal information protection laws, regulations, policies, contractual provisions, industry standards and other requirements may result in civil or regulatory liability, including governmental or data protection authority enforcement actions and investigations, fines, penalties, enforcement orders requiring us to cease operating in a certain way, litigation or adverse publicity, and may require us to expend significant resources in responding to and defending allegations and claims. Moreover, claims or allegations that we have failed to adequately protect our customers' data, or otherwise violated applicable privacy and data security laws, regulations, policies, contractual provisions, industry standards or other requirements, may result in damage to our reputation and a loss of confidence in us by our customers or business partners, potentially causing us to lose customers and business partners and thereby losing revenue, which could have a material adverse effect on our business, financial condition and results of operations and could cause our stock price to drop significantly.

**We rely on the proper operation and maintenance of the internet infrastructure and telecommunications networks in China. Any malfunction, capacity constraint or operation interruption may have an adverse impact on our business.**

Currently, substantially all of our customers' orders are placed through digital channels. Therefore, our business depends on the performance and reliability of the internet infrastructure in China. Access to internet in China is maintained through state-owned telecommunications carriers under administrative control, and we obtain access to end-user networks operated by such telecommunications carriers and internet service providers, as well as cloud service providers, to give consumers access to our digital platform. The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our digital platform. Service interruptions caused by internet service providers or cloud service providers prevent consumers from accessing our digital platform and place orders, and frequent interruptions could frustrate consumers and discourage them from attempting to order food from us, which could cause us to lose current and potential customers and harm our financial condition and results of operations.

**We have limited insurance coverage, which could expose us to significant costs and business disruption.**

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 or Domino's International may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our businesses and operations.**

We depend in large part on the Domino's Pizza brand and believe that it is very important to our business. Domino's International, which has licensed to us the right to use the Domino's trademarks and logo pursuant to the Master Franchise Agreement and related Trademark License Agreement, relies on a combination of trademarks, service marks and similar intellectual property rights to protect its brand and branded products. The success of our business depends, in part, on our continued ability to use the existing Domino's trademarks and service marks in order to increase brand awareness. Although Domino's International has registered or in the process of registering each of its trademarks and logos that distinguish its products for trade mark protection in the PRC and other relevant jurisdictions, the actions taken by us or Domino's International may be inadequate to prevent imitation of the Domino's Pizza brand and concepts by others. If the efforts to protect this intellectual property prove to be inadequate, the value of the Domino's Pizza brand could be harmed, which could adversely affect our business, results of operations and financial condition. Furthermore, if in the sole

discretion of Domino's International, if it becomes advisable at any time for our Company to discontinue or modify use of any of the marks or use one or more additional or substitute marks, our Company will have to agree to do so and the sole obligation of Domino's International in such event shall be to reimburse our Company for our tangible costs of complying with the aforesaid obligation. If Domino's International withdraws its mark, we will not be able to make use of the Domino's mark or logo in connection with our business and consequently, we may be unable to capitalize on the brand recognition associated with the same. Accordingly, we may be required to invest significant resources in developing a new brand.

We believe that the Domino's Pizza brand is essential to our success and our competitive position. Although we have registered trademarks and have trademark applications pending in the PRC, these steps may not be adequate to protect our intellectual property. There is no assurance that any of our pending trademark applications will be granted. We cannot assure you that the registrations will be successfully completed. If we fail to secure the registration of any trademarks under application, or if we are held by any court or tribunal to be infringing on any trademark of others, our business may be adversely affected. Please see "Statutory and general information" in Appendix IV for more information.

In the past, we have found that certain third parties used or imitated our trademarks or trade names without our authorization to operate stores. Such unauthorized use of our trademarks, trade names and trade secrets by third parties may damage our reputation and brand. If the operation activities of third parties who used or imitated our trademarks or trade names without our authorization result in adverse impacts on our customers, we may be associated with negative publicity as a result. Preventing trademark and trade name infringement and trade secret misappropriation in China is difficult, costly and time-consuming. In the future, we may, from time to time, institute litigation to protect and enforce our trademarks and other intellectual property rights, and to protect our trade secrets. Such litigations could result in substantial costs and shift of resources, which could negatively affect our sales, financial condition and prospects. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving, which could involve substantial risks to us. Even if any such litigation is ruled in our favor, we may not be able to successfully enforce the judgment and remedies awarded by the court and such remedies may not be adequate to compensate us for our actual or anticipated losses, whether tangible or intangible.

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

**Our failure to protect proprietary information about our recipes and other trade secrets could adversely affect our competitive position.**

We keep the recipe of our products confidential. However, third parties may infringe upon our intellectual property rights or misappropriate our proprietary knowledge, which could have a material adverse effect on our businesses, financial condition or results of operations. There can be no assurance that our employees and suppliers will not breach their confidentiality agreements or leak the recipe or other trade secrets to our competitors. Our confidentiality and non-compete agreements with key personnel and other precautionary procedures to protect our proprietary recipes and other trade secrets may not be sufficient. In addition, Domino's International may deem such leakage of confidential information to be a breach of the Master Franchise Agreement and seek to terminate the Master Franchise Agreement. For more details on the risks related to the Master Franchise Agreement, see "– We rely significantly on our Master Franchise Agreement with Domino's International for our business operations".

**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 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 our stores. 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 claim 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. As a result, 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.

Third parties making infringement claims against us may be able to obtain an injunction to prevent us from operating our stores, which may materially and adversely affect our business and financial performance. Litigation 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. We may be forced to redevelop a new brand for our stores.

**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 the ability of our key management personnel to work together and successfully implement our growth strategy while maintaining the strength of our brand. Our future success also depends upon the continuing services and performance of our key management personnel, including our Directors and members of our senior management. 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 food and service and to implement our business strategy. We may need to offer attractive compensation and other benefits package, including share-based compensation, to attract and retain them. If our key management personnel fail 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. Competition for experienced management and operating personnel in the catering industry is intense, and the pool of qualified candidates is limited. We may not be able to retain our key management and operating personnel or 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 replace them easily or at all, and our business may be disrupted and our results of operations may be materially and adversely affected. In addition, if any member of our 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 engage some riders through third-party delivery service providers to support part of our operations and therefore may not have sufficient control over the outsourced personnel.**

We engage some delivery riders to support our delivery service through third-party delivery service providers ("**Delivery Service Providers**") on an as-needed basis. These outsourced riders primarily help us maintain a sufficient and flexible level of riders during period of high demand. During the Track Record Period, we entered into agreements with the Delivery Service Providers, but we did not have any direct labor contract relationship with the outsourced personnel, and therefore may not have sufficient control over the outsourced personnel. See "Business – Employees" for details. If any of the outsourced riders fails to follow the instructions, policies and business guidelines formulated by Delivery Service Providers in accordance with our requirements, our market reputation, brand image and results of operations may be materially and adversely affected. Therefore, we may assume legal liability and economic losses, and our reputation, brand image, financial position and results of operations may be materially and adversely affected.

**Our businesses may be adversely affected by difficulties in the recruitment and retention of employees.**

We believe that hiring, motivating and retaining qualified employees are critical to our success. Our success depends in part upon our ability to attract, retain and motivate a sufficient number of qualified employees, including store managers, kitchen staff and delivery riders. The competition for labor force in the catering industry in the markets in which we operate is intense. Being a large-scale restaurant group, we have a large number of staff. There is no assurance that we will be able to recruit, train and retain sufficient staff and effectively manage them in order to sustain our operations and development. If we are unable to hire and retain enough qualified employees, the operation of our existing stores and our expansion plan may be disrupted, which could have a material adverse impact on our business and results of operations.

**Our success depends on the ability to remain competitive in the China pizza market.**

The China pizza market is highly competitive in the aspects of food quality and consistency, value for money, customer service, store locations, supply of quality food ingredients, the availability and quality of delivery carryout and dine-in services, brand recognition, and other factors. We primarily target the mid- to high-end market with a broad guest base in major cities in China, and we compete against other chain and single-store western cuisine restaurants. Many of our competitors have stores or restaurants located in close proximity to our stores and compete directly with us. Furthermore, new competitors may appear from time to time, which may further intensify the competition. In particular, these competitors may start to provide products and services with similar styles. Our ability to remain competitive in the pizza industry depends on various factors, including successful implementation of the expansion strategies of our store network and the ability to maintain and enhance the quality of our food products and services, develop and launch new products that match local palates, improve the efficiency of supply chain, improve our technology infrastructure and enhance value for money. In addition, many online platforms compete with us over delivery riders by offering them higher wages. Our failure to compete successfully may prevent us from increasing or maintaining revenue, affect our ability to improve our profitability, and result in losses of market shares. In this regard, our businesses, financial positions, results of operations and cash flow may be affected materially and adversely.

**If the wage levels in the catering industry in the markets in which we operate increase, our financial performance may be materially and adversely affected.**

Staff costs are one of the major costs of our business. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our store-level salary-based expense amounted to RMB247.6 million, RMB316.0 million, RMB462.6 million, RMB217.9 million and RMB262.3 million, representing 29.6%, 28.6%, 28.7%, 28.4% and 28.9% of our total revenue, respectively.

Wage levels in the catering industry in the markets in which we operate have been increasing in recent years. The Chinese economy has achieved significant growth in the past 20 years, and this has led to an increase in the average labor costs. It is expected that the overall economy and average wage in China will continue to grow.

The Labor Law of the PRC and The Labor Contract Law of the PRC stipulate overtime, pensions, layoffs, labor contracts, workers' rights and benefits and also stipulate specific standards and procedures for terminating labor contracts. In addition, the Labor Contract Law required that, in most cases, including the expiration of a fixed-term contract, the payment of statutory severance should be made when the labor contract is terminated. To comply with the PRC labor-related laws and regulations, we need to continue to invest in operating expenses, especially our personnel expenses. Please refer to "Regulations – Overview of PRC laws and regulations – Regulations related to labor" for further details.

The shortage of labor force, such as delivery riders, or any substantial increase in the labor costs will weaken our competitive advantages and have a material adverse effect on our businesses, financial positions and results of operations. If there is any increase in the statutory minimum wage in China or if any additional legislation is enacted in China resulting in an increase in employee's benefits and welfare to be borne by employers, our staff costs may increase as a result. There is no assurance that we will be able to pass the increased staff costs onto our customers by increasing our menu prices. If any of the above risks materialize, our financial performance may be materially and adversely affected.

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

We cannot assure you that there will not be any instances of fraud, theft and other misconduct involving employees, customers and other third parties that may have a material adverse impact on our business and results of operations in the future. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

**Share-based compensation may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.**

We adopted share incentive schemes for the benefit of our employees as remuneration for their services provided to us and to incentivize and reward the eligible persons who have contributed to the success of our Company. For details, see "Statutory and general information – Share Incentive Plans and bonus plans" in Appendix IV. We also pay share-based compensation to Directors as directors' service fee. For details of our share-based compensation, see "Financial information – Major components of our results of operations – Staff compensation expense". After the end of the Track Record Period, we awarded certain share-based awards to our directors and employees, as detailed in Note 35 of Appendix I to this

document. To further incentivize our employees to contribute to us, we may pay additional share-based compensation in the future. Issuance of Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also significantly increase our operating expenses and therefore have a material and adverse effect on our financial performance.

On November 15, 2022, the Board approved the adoption of (i) a one-off IPO cash bonus plan (the "**Cash Bonus Plan**") for 12 existing senior management and other key employees of the Group, and (ii) a one-off share appreciation linked bonus plan for our CEO (the "**Share Appreciation Bonus Plan**") (together, the "**Bonus Plans**"). The Bonus Plans, both of which are cash-based, will be implemented only if the Global Offering is completed. The total amount of the Cash Bonus Plan is estimated to be between approximately US$2.3 million and US$3.0 million. The final Cash Bonus Plan amount will be determined when the final Offer Price has been determined. The Share Appreciation Bonus Plan payment is calculated based on 0.5% of the Company's post-money IPO equity valuation at Listing and adjusted upward or downward by 0.8% of the increase or decrease of the Company's market capitalization based on the average closing share price in the five trading days immediately prior to the first anniversary of the Listing Date, subject to a floor of zero. We are unable to predict the actual amount of the bonus payouts. In the event of a significant appreciation of our stock price following the IPO, we will be obligated to devote significant amount of cash towards the payment of the bonus.

**We may need additional funds to provide funding for our operation which may not be available under conditions acceptable to us, or at all. If we can raise equity capital, the value of your investment may be adversely affected. In addition, the fair value change of convertible Senior Ordinary Shares would affect our financial performance and result in valuation uncertainty.**

We may need additional cash resources to support our continuing growth or other development in the future, including investments or acquisitions that we may decide to make. If our funding need is greater than our financial resources, we will need to seek additional funding or postpone our planned expenditure. We cannot guarantee that we can obtain additional funding on terms acceptable to us or successfully obtain any funding. In addition, our ability to raise additional funding in the future is subject to a number of uncertain factors, including but not limited to:

- our future financial position, results of operations and cash flow;
- the overall market conditions of equity and debt financing activities; and
- the economic, political and other conditions in China and other regions.

In 2020 and 2021, we issued 8,651,546 and 9,449,473 fully paid convertible Senior Ordinary Shares, respectively. For further information regarding our convertible Senior Ordinary Shares, see "History, reorganization and corporate structure – Pre-IPO Investments". The convertible Senior Ordinary Shares were recorded as financial liability at fair value though profit and loss on our consolidated financial statements. Upon the Listing, all convertible Senior Ordinary Shares will be converted into ordinary shares. The fair value of the convertible Senior Ordinary Shares was principally developed through the application of discounted cash flow model and equity allocation, considering the key assumptions of revenue growth rate, pre-tax discount rate, terminal growth rate and volatility. The fair value change of the convertible Senior Ordinary Shares may significantly affect our financial position and results of operations. Accordingly, determination of the fair value requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty.

In addition, if we raise additional funding through equity or equity related financing, your equity interest in our Company may be diluted. If we seek additional funds through debt instruments, there is no guarantee that they will be available on terms favorable to us due to several factors, including the terms of our existing indebtedness and trends in the global capital and credit markets. If adequate funds are not available on acceptable terms, we may be forced to reduce our operations or delay, limit or abandon expansion opportunities. Moreover, even if we are able to continue our operations, the failure to obtain additional financing could adversely affect our ability to compete. If the debt instruments are available to us on acceptable terms, the terms of such instruments may increase our interest expenses or restrict our financial and operating flexibility. We may be subject to multiple covenants under the relevant debt instruments, which in turn may, among other things, restrict our ability to pay dividends or obtain additional financing. The fulfillment of debt obligations may also impose a burden on our operations. If we fail to fulfill our debt obligations or comply with any of such covenants, we may breach such debt obligations and our liquidity and financial condition may be adversely affected.

**The increasing awareness of environmental, social and governance issues may lead to the adoption of more stringent laws and regulations and increase our compliance costs.**

With the rising awareness of environmental, social and governance ("**ESG**") issues, including with respect to food and packaging waste, greenhouse gas emissions and environmental protection, there may be the adoption of more stringent laws and regulations that affect our business operations. Accordingly, we may need to devote more effort and resources to ensure our compliance with such laws or regulations. We have adopted a series of measures aiming to ensure our compliance with the ESG-related laws and regulations applicable to us, as described in "Business – Environmental, Social and Governance". We cannot assure you that these risk management measures can effectively mitigate the relevant risks and help us navigate the complex and evolving regulatory environment. Changes in existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our compliance costs, and if we fail to comply with such ESG-related laws and regulations, our business and financial performance may be materially and adversely affected.

## RISKS RELATED TO DOING BUSINESS IN CHINA

**The current tensions in international trade and rising political tensions, particularly between the United States and China, may adversely impact our business, financial condition and results of operations.**

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect the global financial and economic conditions. There have been political matters that resulted in increased tensions between the U.S. and China. In addition, China has implemented, and may further implement, measures in response to new trade policies, treaties and tariffs initiated by the U.S. government. Such measures may further escalate the tensions between the countries or even lead to a trade war. Any further escalation in trade tensions between China and the U.S. or a trade war, or the perception that such escalation or trade war could occur, may have negative impact on the economies of not only the two countries concerned, but the global economy as a whole. As we import raw materials and food ingredients from the U.S., such as pizza sauce, to produce our menu items, our supply chain and food production process may be adversely affected by such economic and political tensions. Additionally, because our franchisor is a U.S. business, any further escalation of the political, business, economic and trade relations between China and the U.S. may trigger negative consumer sentiment towards western brands in China and cause our customers to switch away from our brand and purchase food and beverages from our domestic competitors. As a result, our business, results of operations and prospects may be adversely affected.

**Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.**

The PRC legal system is based on written statutes, and court decisions have limited precedential value. The PRC legal system is evolving rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of a judicial or administrative proceeding than in more developed legal systems. Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations.

**Adverse changes in economic and political policies of the PRC government could have a material and adverse effect on overall economic growth in China, which could materially and adversely affect our business.**

All of our revenues are sourced from China. Accordingly, our results of operations, financial condition and prospects are influenced by economic, political and legal developments in China. Economic reforms begun in the late 1970s have resulted in significant economic growth. However, any economic reform policies or measures in China may from time to time be modified or revised. The Chinese economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the Chinese economy has experienced significant growth in the past years, growth has been uneven across different regions and among different economic sectors.

The PRC government exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Although the Chinese economy has grown significantly in the past decade, that growth may not continue, as evidenced by the slowing of the growth of the Chinese economy in the recent years. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our services and adversely affect our competitive position.

**If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.**

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》), promulgated on March 16, 2007, and came into effect on January 1, 2008, and was most recently amended on December 29, 2018, which became effective on the same date, and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a PRC resident enterprise. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts, property, etc. of an enterprise.

In 2009, the State Tax Administration (the "**STA**") issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as the PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) which was most recently amended in December 2017, or the Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. The STA issued Chinese-Controlled Offshore

Incorporated Resident Enterprises Income Tax Regulation (《境外註冊中資控股居民企業所得税管理辦法(試行)》), or the Bulletin 45, which took effect on September 1, 2011, and was most recently amended on June 15, 2018, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of Chinese-controlled offshore incorporated resident enterprises. Bulletin 45 also provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the STA's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident enterprise by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (a) senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) decisions relating to the enterprise's financial matters (such as loan, financing, financial risk management, etc.) and human resource matters (such as appointment, dismissal and remuneration, etc.) are made or are subject to determination or approval by organizations or personnel in the PRC; (c) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (d) at least 50% of voting board members or senior executives habitually reside in the PRC.

The tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body". If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we will be subject to the enterprise income tax on our global income at the rate of 25% and we will be required to comply with PRC enterprise income tax reporting obligations. In addition, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of the shares, if such income is treated as sourced from within the PRC. Furthermore, if PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends paid to our non-PRC individual shareholders and any gain realized on the transfer of the shares by such holders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us), if such gains are deemed to be from PRC sources. These rates may be reduced by an applicable tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise, but it is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

**It may be difficult for overseas regulators to conduct investigations or collect evidence within China.**

Shareholder claims or regulatory investigations that are common in jurisdictions outside China are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in jurisdictions outside China may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law (《中華人民共和國證券法》), which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigations or evidence collection activities within the PRC territory, and without the consent by the securities regulatory authority of the State Council and the other relevant competent governmental agencies of the State Council, no entity or individual may provide documents or materials related to securities business to any foreign party. While detailed interpretation of or implementation rules under the article have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigations or evidence collection activities within China and the potential obstacles for information provision may further increase difficulties faced by you in protecting your interests. Please see "– Risks relating to the Global Offering – You may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong courts may be limited, because we are incorporated under BVI law". for risks associated with investing in us as a BVI company.

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

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) which was effective as of September 8, 2006, and amended on June 22, 2009 (the "**M&A Rules**"). The M&A Rules, and other recently adopted regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if any important industry is concerned, such transaction involves factors that impact or may impact national economic security, or such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC effective in August 2008 and the Provisions of the State Council on the Thresholds for Declaring Concentration of Business Operators (《國務院關於經營者集中申報標準的規定》), which was effective on August 3, 2008, and amended on September 18, 2018, require that transactions

which are deemed concentrations and involve parties with specified turnover thresholds (meaning during the previous fiscal year, (a) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China, or (b) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within China) must be cleared by anti-monopoly enforcement authority before they can be completed. On December 14, 2020, the SAMR announced three cases of administrative penalties for the failures of acquirers to make proper concentration declarations to authorities about their past acquisitions.

In addition, in 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), also known as Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, MOFCOM promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), effective in September 2011, to implement Circular 6. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having "national defense and security" concerns and mergers and acquisitions by which foreign investors may acquire the "de facto control" of domestic enterprises with "national security" concerns. Under the foregoing MOFCOM regulations, MOFCOM will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If MOFCOM decides that a specific merger or acquisition is subject to a security review, it will submit it to the Inter-Ministerial Panel, an authority established under Circular 6 led by the NDRC, and MOFCOM under the leadership of the State Council, to carry out security review. The regulations prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements, offshore transactions, etc. There is no explicit provision or official interpretation stating that the merging or acquisition of a company engaged in the food and beverage business requires security review, and there is no requirement that acquisitions completed prior to the promulgation of the Security Review Circular are subject to MOFCOM review.

On December 19, 2020, the NDRC and MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the "**Office of the Working Mechanism**") will be established under NDRC, who will lead the task together with MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to the investments in fields related to national defense and security, such as military industry and military industrial facilities, and the investments in military facilities and areas surrounding military facilities, and important

agricultural products, important energy and resources, important equipment manufacturing, important infrastructure, important transportation services, important cultural products and services, important information technology and internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain control in the target enterprise. See "Regulations – Overview of PRC laws and regulations – Laws and regulations relating to corporation and foreign investment".

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises national defense and security or national security concerns. However, MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited.

**We may be subject to additional regulatory requirements as new laws and regulations in connection with overseas listing are issued by PRC government authorities.**

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) (the "**July 6 Opinion**"), which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. As of the Latest Practicable Date, due to the lack of further clarifications or detailed rules and regulations, there are still uncertainties regarding the interpretation and implementation of the July 6 Opinion. We cannot guarantee that new rules or regulations promulgated in the future pursuant to the July 6 Opinion will not impose any additional requirement on us.

Furthermore, on December 24, 2021, the CSRC, jointly with relevant departments under the State Council, published the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) (the "**Administration Provisions**"), as well as the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the "**Administrative Measures**"), which are open for public consultation. The Administration Provisions mainly stipulate a filing-based regulatory system that covers both direct and indirect overseas offering and listing. The Administrative Measures provide, among others, the scope of activities subject to the filing requirement, the entities subject to filing obligations, and the filing procedures. The scope of activities subject to the filing and reporting requirement includes making an application for initial public offering in an overseas market

and making securities offering after having been listed in an overseas market. The entities subject to filing obligations refer to issuers (a) whose domestic operating entity generated more than 50% of the total assets, net assets, revenues or profits as shown in the issuer's audited consolidated financial statements in the most recent accounting year, and (b) whose senior management in charge of business operation and management are mostly Chinese citizens or have domicile in China, and whose main places of business are located in China or main business activities are conducted in China. Although there are different interpretations as to whether the two conditions should be satisfied at the same time, given that our domestic operating entity generated 100% of our total revenue as shown in our audited consolidated financial statements for the year ended December 31, 2021, and that our senior management are mostly Chinese citizens and our business activities are mainly conducted in China, we are mostly likely to be subject to the filing obligations as contemplated in the Administrative Measures. In addition, pursuant to the Administrative Measures, the CSRC will, within 20 working days after receiving filing documents that are deemed complete and in compliance with stipulated requirements, issue a filing notice thereof and publish the filing results on the CSRC website. As of the Latest Practicable Date, neither the Administration Provisions nor the Administrative Measures have been finalized. If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements for this offering or future capital raising activities, it is uncertain whether we can or how long it will take us to obtain such approval or complete such procedures, and, even if we obtain such approval, the approval could be rescinded. Any failure to obtain or delay in obtaining such approval or completing such procedures for this offering or future capital raising activities, or a rescission of any such approval obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on our operations in the PRC, limit our ability to pay dividends outside of the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from this offering or future capital raising activities into the PRC, or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our Shares. In addition, if the CSRC or other regulatory authorities in the future promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for this offering or future capital raising activities, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our Shares.

The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt this offering or future capital raising activities before settlement and delivery of the Shares offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

**The heightened scrutiny over indirect transfer of onshore interests outside China from the Chinese tax authorities may have an adverse impact on our businesses, acquisitions or restructuring strategies.**

Pursuant to the Announcement of STA on Several Issues Concerning Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-resident Enterprises (《國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告》) ("**Circular 7**") promulgated by the STA on February 3, 2015 and the Announcement of STA on Issues Concerning Withholding at Source of Income Tax of Non-resident Enterprises (《國家税務總局關於非居民企業所得税源泉扣繳有關問題的公告》) ("**Circular 37**") issued on October 17, 2017 and effective on December 1, 2017, non-resident enterprises in PRC which indirectly transferred assets (such as equity interests, etc.) in PRC resident enterprises through implementation of arrangements of no reasonable commercial purpose shall recategorize the transaction of indirect transfer in accordance with the EIT Law and recognize the transaction as direct transfer of assets (such as equity interests, etc.) in PRC resident enterprises. For the proceeds from the indirect transfer of equity interests subject to the Enterprises Income Tax in accordance with the Circular 7, the entities or individuals directly obliged to the relevant payment to the transferor of equity interests in accordance with relevant laws or contractual agreements are withholding obligor; the mutual parties and coordinators of the indirect transfer of PRC taxable assets, as well as the PRC resident enterprises whose equity interests are indirectly transferred shall provide relevant declaration in accordance with the requirements from competent tax authority. The Circular 7 and Circular 37 may be considered by the tax authorities to be applicable to our future offshore restructuring transactions or sale of the shares of our offshore subsidiaries. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to input time, efforts and relevant resources to comply with the Circular 7 and Circular 37 or to establish that we and our non-resident enterprises should not be taxed under the Circular 7 for future restructuring or disposal of shares of our offshore subsidiaries, which may have an adverse effect on our financial condition and results of operation.

**PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law.**

The SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular 37**") in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. According to the Notice on Further

Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) released in February 2015 by SAFE, as amended in December 2019, or SAFE Circular 13, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 2015.

If our shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches or local banks, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We may not at all times be fully aware or informed of the identities of all of our shareholders or beneficial owners that are required to make or update such registrations, and we cannot compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

**Failure to comply with the requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative penalties.**

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (關於境內個人參與境外上市公司股權激勵計劃管理有關問題的通知) (the "**SAFE Circular 7**"), which replaced the earlier rules promulgated by the SAFE in March 2007 and January 2008. Under the SAFE Circular 7 and other relevant requirements and regulations, PRC residents who participate in stock incentive plans in an overseas publicly listed company are required to register with the SAFE or other branches and complete certain other procedures. The PRC resident participants of stock incentive plans are required to retain a qualified PRC agent, which could be the Chinese subsidiary of such overseas listing public company or other qualified institutions selected by the PRC subsidiary, to register with the SAFE and complete other procedures on behalf of such participants for stock incentive plans. The participants must also retain an overseas entrusted institution to complete matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

Also, SAFE Circular 37 stipulates the PRC residents who participate in a share incentive plan of an overseas non-publicly listed special purpose company may register with SAFE or its local branches before they exercise the share options. We and our PRC employees who have been granted share options and restricted shares will be subject to these regulations upon the completion of the Global Offering. Failure of our PRC share option holders or restricted shareholders to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute dividends to us, or otherwise materially adversely affect our businesses.

The STA has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in China will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our China subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individualincome taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

**Fluctuation in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.**

The conversion of RMB into foreign currencies, including Hong Kong dollars and U.S. dollars, is based on rates set by the PBOC. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollars, the U.S. dollar or other currencies in the future. The value of RMB against the Hong Kong dollars, U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that RMB will not appreciate or depreciate significantly in value against Hong Kong dollars and the U.S. dollar in the future. Any significant appreciation or depreciation of RMB may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares. For example, to the extent that we need to convert Hong Kong dollars and U.S. dollars we receive into RMB to pay our operating expenses, appreciation of RMB against the Hong Kong dollars and the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of RMB against the Hong Kong dollars and the U.S. dollar may significantly reduce the Hong Kong dollars or the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our Shares.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. As of the date of this document, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness

of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

During the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi, while the net proceeds from the Global Offering will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi terms of the net proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations. During the Track Record Period, we recorded currency translation gains of RMB4.5 million, losses of RMB12.4 million, losses of RMB2.0 million and losses of RMB29.2 million in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively, as other comprehensive income/(loss) in our consolidated statements of comprehensive income, which is primarily a result of translation of financial statements of our overseas parent company and subsidiaries into the presentation currency of our domestic subsidiaries, which is RMB.

**Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.**

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our BVI holding company primarily relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our Company. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval or registration to use cash generated from the operations of our PRC subsidiaries to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi.

In light of the flood of capital outflows of China in 2016 due to the weakening RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement including overseas direct investment. More

restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. If any of our shareholders regulated by such policies fails to satisfy the applicable overseas direct investment filing or approval requirement timely or at all, it may be subject to penalties from the relevant PRC authorities. The PRC government may at its discretion further restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

**Inflation or deflation in China could negatively affect our financial conditions and growth.**

Economic growth in China has, during certain periods, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the Chinese economy, including increasing interest rates and capital reserve thresholds at Chinese commercial banks. The effects of the stimulus measures implemented by the PRC government since the global economic crisis that commenced in 2008 and the continued growth in the overall economy since then have resulted in sustained inflationary pressures. If these inflationary pressures continue and are not mitigated by PRC government measures, our cost of raw materials and consumables will likely increase, and our financial position could be materially affected, as there is no assurance that we would be able to pass any cost increases onto our customers. Measures adopted by the PRC government to control inflation may also slow economic activity in China, reduce demands for our products and services and decrease our revenue growth, all of which would materially and adversely affect our business, financial conditions and results of operations. On the other hand, our business could also be affected by deflationary pressures. A decline in general price levels could negatively impact sales growth, operating margins and earnings if our competitors react by lowering their pricing. As a result, our business, financial conditions and results of operations could be materially and adversely affected.

## RISKS RELATING TO THE GLOBAL OFFERING

**There has been no prior public market for our Shares prior to the Global Offering, and you may not be able to resell our Shares at or above the price you pay, or at all.**

Prior to the completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations between our company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following the completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering.

**The trading price of our Shares may be volatile, which could result in substantial losses to you.**

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong SAR, China, the China mainland, the United States and elsewhere in the world. In particular, the performances of and fluctuations in the market prices of other companies with business operations located mainly in the China mainland that have listed their securities in Hong Kong SAR, China may affect the volatilities in the price and trading volumes of our Shares. A number of China mainland-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong SAR, China. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards China mainland-based companies listed in Hong Kong SAR, China and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

**The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our directors, executive officers and substantial shareholders, could adversely affect the market price of our Shares.**

Future sales of a substantial number of our Shares, especially by our directors, executive officers and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our substantial shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Market sale of Shares by such shareholders and the availability of these Shares for future sale may have negative impact on the market price of our Shares.

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

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate", "believe", "could", "going forward", "intend", "plan", "project", "seek", "expect", "may", "ought to", "should", "would" or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions may prove to be inaccurate and as a result, the forward-looking statements based on those assumptions may also

be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

**You will incur immediate and substantial dilution and may experience further dilution in the future.**

As the Offer Price of our Shares is higher than the net tangible book value per share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

**If securities or industry analysts cease to publish research or reports about our business, or if they adversely change their recommendations regarding our Shares, the market price for our Shares and trading volume could decline.**

The trading market for our Shares will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our Shares or publishes inaccurate or unfavorable research about our business, the market price for our Shares would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our Shares to decline.

**We cannot assure you that we will declare and distribute any amount of dividends in the future and you may have to rely on price appreciation of our Shares for return on your investment.**

During the Track Record Period, we did not distribute or declare any dividends. We have not yet adopted a dividend policy with respect to future dividends. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our Board has discretion as to whether to distribute dividends, subject to certain restrictions under BVI law, namely that our company may only pay dividends if our company is able to pay its debts at they fall due in the ordinary course of business and the value of our Company's assets exceeds our Company's liabilities. In addition, our shareholders may by resolution of members declare a dividend, but no dividend may exceed the amount

recommended by our Board. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

**We have no experience operating as a public company, and we may incur increased costs as a result of becoming a public company.**

We have no experience conducting our operations as a public company. As a result of the Listing on the Hong Kong Stock Exchange, we may face enhanced administrative and compliance requirements, which may make us incur substantial related costs and expenses that we did not incur as a private company. We expect rules and regulations applicable to public companies to increase our accounting, legal and financial compliance costs and to make certain corporate activities more time-consuming and costly. Our management may be required to devote substantial time and attention to our public company reporting obligations and other compliance matters. We will evaluate and monitor developments with respect to these rules and regulations, but we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. Our reporting and other compliance obligations as a public company may place a significant strain on our management, operational and financial resources and systems for the foreseeable future.

In addition, since we are becoming a public company, our management team will need to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to public companies, including requirements relating to corporate governance, listing standards and securities and investor relationships issues. As a public company, our management will have to evaluate our internal controls system with new thresholds of materiality, and to implement necessary changes to our internal controls system. We cannot guarantee that we will be able to do so in a timely and effective manner.

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

The information and statistics set out in the "Industry overview" section, as well as certain information and statistics set out in other sections of this document, were extracted from the Frost & Sullivan Report prepared by Frost & Sullivan and commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

**You may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong courts may be limited, because we are incorporated under BVI law.**

We are a business company incorporated under the laws of the BVI with limited liability. Our corporate affairs are governed by our memorandum and articles of association, the BVI Business Companies Act, which we refer to as the Companies Act, and the common law of the BVI. The rights of shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to us under BVI law are to a large extent governed by the common law of the BVI. The common law of the BVI is derived in part from comparatively limited judicial precedent in the BVI as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the BVI. The rights of our shareholders and the fiduciary duties of our directors under BVI law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions. In particular, the BVI have a less developed body of securities laws than Hong Kong; Hong Kong has more fully developed and judicially interpreted bodies of corporate law than the BVI. In addition, BVI companies may not have standing to initiate a shareholder derivative action in Hong Kong courts.

Shareholders of BVI Companies like us have no general rights under BVI law to inspect corporate records (other than copies of the memorandum and articles of association the register of members, the register of directors and minutes of meetings and resolutions of members and of those classes of members of which the member inspecting the records is a member). Our directors have discretion under our post-offering articles of association that will become effective immediately prior to completion of the Global Offering to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of our Board or controlling shareholders than they would as public shareholders of a company incorporated in Hong Kong. For a discussion of the provisions of the Companies Act, please see "Summary of the constitution of our Company and BVI company law" in Appendix III.

**You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.**

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this document, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or

media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

**There will be a time gap of several business days between pricing and trading of our Shares offered in the Global Offering. Holders of our Shares are subject to the risk that trading prices of our Shares could fall during the period before trading of our Shares begins.**

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be several Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of unfavorable market conditions, or other adverse developments, that could occur between the time of sale and the time trading begins.

In preparation for the Listing, we have sought the following waivers from strict compliance with the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

## MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Our Group's management headquarters, senior management, business operations and assets are primarily based outside Hong Kong, in Mainland China. The Directors consider that the appointment of executive director(s) who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, our Company has appointed and will continue to maintain two authorized representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange. At present, our two authorized representatives are Ms. Aileen Wang, our executive Director and Chief Executive Officer, and Ms. Wing Nga Ho, our joint company secretary;

(b) pursuant to Rule 3.20 of the Listing Rules, each Director has provided their contact information to the Stock Exchange and to the authorized representatives. This will ensure that the Stock Exchange and the authorized representatives should have means for contacting all Directors promptly at all times as and when required;

(c) we will ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;

(d) pursuant to Rule 3A.19 of the Listing Rules, our Company has retained the services of Somerley Capital Limited as compliance advisor (the "**Compliance Advisor**"), who will act as an additional channel of communication with the Stock Exchange. The Compliance Advisor will provide our Company with professional advice on

ongoing compliance with the Listing Rules. We will ensure that the Compliance Advisor has prompt access to our Company's authorized representatives and Directors. In turn, they will provide the Compliance Advisor with such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor's duties. The Compliance Advisor will also provide advice to our Company when consulted by our Company in compliance with Rule 3A.23 of the Listing Rules; and

(e) meetings between the Stock Exchange and the Directors can be arranged through the authorized representatives or the Compliance Advisor, or directly with the Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Compliance Advisor in accordance with the Listing Rules.

**JOINT COMPANY SECRETARIES**

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

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

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

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

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

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

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

(d) professional qualifications in other jurisdictions.

Our Company appointed Ms. Ting Wu, our Chief Financial Officer, and Ms. Wing Nga Ho as joint company secretaries of our Company on March 26, 2022 and November 11, 2022, respectively. Please refer to the section headed "Directors and senior management – Joint company secretaries" for their biographies.

Ms. Ho is a fellow member of the Hong Kong Chartered Governance Institute. Ms. Ho therefore meets the qualification requirements under Rule 3.28 Note 1 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Accordingly, while Ms. Wu does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Wu may be appointed as a joint company secretary of our Company.

The waiver was granted for a three-year period from the Listing Date on the conditions that: (i) Ms. Ho is appointed as a joint company secretary to assist Ms. Wu in discharging her functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules; the waiver will be revoked immediately if Ms. Ho, during the three-year period, ceases to provide assistance to Ms. Wu as the joint company secretary; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. In addition, Ms. Wu will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the Listing Date. Our Company will further ensure that Ms. Wu has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Before the end of the three-year period, the qualifications and experience of Ms. Wu and the need for on-going assistance of Ms. Ho will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Ms. Wu, having benefited from the assistance of Ms. Ho for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Rule 3.28 Note 2 of the Listing Rules so that a further waiver will not be necessary.

## CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules for such continuing connected transactions. For further details in this respect, see the "Connected transactions".

## DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT

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

## GLOBAL OFFERING

This document is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this document contains the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Public Offer Shares are offered solely on the basis of the information contained and representations made in this document, and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this document, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the Underwriters, any of their respective directors, agents, employees or advisors, or any other party involved in the Global Offering.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Overall Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement.

The Offer Price is expected to be fixed among the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, December 16, 2022 and, in any event, not later than Thursday, December 22, 2022 (unless otherwise determined between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Sole Overall Coordinator and our Company on or before Thursday, December 22, 2022, the Global Offering will not become unconditional and will lapse immediately.

See "Underwriting" for further information about the Underwriters and the underwriting arrangement.

Neither the delivery of this document nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this document or imply that the information contained in this document is correct as of any date subsequent to the date of this document.

## PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The application procedures for the Hong Kong Public Offer Shares are set forth in "How to apply for Hong Kong Public Offer Shares".

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in "Structure of the Global Offering".

## SELLING RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring Hong Kong Public Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by their acquisition of Offer Shares to, confirm that they are aware of the restrictions on offers of the Offer Shares described in this document.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this document in any jurisdiction other than Hong Kong. Accordingly, this document may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this document and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

## APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, (i) our Shares in issue (including the shares on conversion of the Class A Ordinary Shares and Senior Ordinary Shares), (ii) the Shares to be issued pursuant to the Global Offering, including the Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (iii) the Shares to be issued pursuant to the Share Incentive Plans.

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, December 23, 2022. No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All the Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

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

## OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in "Structure of the Global Offering". Assuming that the Over-allotment Option is exercised in full, our Company may be required to allot and issue up to an aggregate of 1,702,500 additional Shares.

## SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

## SHARE REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained in the BVI by our principal registrar, Maples Fund Services (Cayman) Limited. Our Hong Kong register of members will be maintained in Hong Kong by our Hong Kong Share Registrar.

All Offer Shares issued pursuant to applications made in the Global Offering will be registered in our Hong Kong register of members. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

## PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, holding, and dealing in the Shares or exercising any rights attached to them. It is emphasised that none of us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisors or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, holders of the Shares resulting from the subscription, purchase, holding, or disposal of the Shares or exercising any rights attached to them.

## EXCHANGE RATE CONVERSION

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

Unless otherwise indicated (i) the translation between Hong Kong dollars and Renminbi was based on the rate of HK$1.1119 to RMB1.00, (ii) the translation between Hong Kong dollars and U.S. dollars, was based on the rate of HK$7.7807 to US$1.00, and (iii) the translation between Renminbi and U.S. dollars was based on the rate of RMB6.9975 to US$1.00.

## LANGUAGE

If there is any inconsistency between the English version of this document and the Chinese translation of this document, the English version of this document shall prevail unless otherwise stated. However, the English names of any Laws, Governmental Authorities, institutions, natural persons or other entities for which no official English translation exists are unofficial translations for your reference only and their names in the original language shall prevail.

## ROUNDING

Certain amounts and percentage figures included in this document have been subject to rounding adjustments, or have been rounded to a set number of decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart in this document between total and sum of amounts listed therein are due to rounding.

## DIRECTORS

| Name | Address | Nationality |
|---|---|---|
| **Executive Directors** | | |
| Aileen Wang (王怡) | Room 801, No. 2 Lane 515<br>Liuying Road, Zhabei District<br>Shanghai<br>PRC | Chinese |
| **Non-executive Directors** | | |
| Frank Paul Krasovec | 98 San Jacinto Blvd., FSR 2701<br>Austin, TX 78701<br>U.S. | American |
| James Leslie Marshall | 70 Cove Drive<br>098097 Singapore | British |
| Zohar Ziv | 2121 Garden Street<br>Santa Barbara, CA 93105<br>U.S. | American |
| Matthew James Ridgwell | 12 Ridley Park<br>248487 Singapore | British |
| Joseph Hugh Jordan | 769 Heather Way<br>Ann Arbor, MI 48104<br>U.S. | American |
| **Independent non-executive Directors** | | |
| David Brian Barr | 3535 Roswell Rd, Ste 52<br>Marietta, GA 30062<br>U.S. | American |
| Samuel Chun Kong Shih | 168 Shun Chang Road<br>Lakeview Regency<br>Building 5, 2901<br>Shanghai<br>PRC | Canadian |
| Lihong Wang (王勵弘) | Apartment 1845, 18/F<br>Tower 6 Parkview Rise<br>HK Parkview 88 Tai Tam<br>Reservoir Road | Chinese<br>(Hong Kong) |

See "Directors and senior management" for further details.

## PARTIES INVOLVED IN THE GLOBAL OFFERING

| | |
|---|---|
| **Sole Sponsor and Sole Sponsor-Overall Coordinator** | **Merrill Lynch (Asia Pacific) Limited**<br>55/F, Cheung Kong Centre<br>2 Queen's Road Central<br>Central<br>Hong Kong |
| **Financial Advisor** | **Ampere Partners Limited**<br>Suite 1609-13, Nan Fung Tower<br>88 Connaught Road Central<br>Central<br>Hong Kong |
| **Sole Overall Coordinator and Sole Global Coordinator** | **Merrill Lynch (Asia Pacific) Limited**<br>55/F, Cheung Kong Centre<br>2 Queen's Road Central<br>Central<br>Hong Kong |
| **Sole Bookrunner** | **Merrill Lynch (Asia Pacific) Limited**<br>55/F, Cheung Kong Centre<br>2 Queen's Road Central<br>Central<br>Hong Kong |
| **Joint Lead Managers** | **Merrill Lynch (Asia Pacific) Limited**<br>55/F, Cheung Kong Centre<br>2 Queen's Road Central<br>Central<br>Hong Kong<br><br>**DBS Asia Capital Limited**<br>73/F, The Center<br>99 Queen's Road Central<br>Central<br>Hong Kong |

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*The information and statistics set out in this section, as well as certain information and statistics set out in other sections of this document, were extracted from the Frost & Sullivan Report prepared by Frost & Sullivan and commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.*

## CHINA'S CATERING INDUSTRY

China's catering industry refers to the commercial activities of providing consumers with prepared foods, as well as venues for dining and drinking. The size of China's catering industry, as measured by revenue, increased from RMB3,579.9 billion in 2016 to RMB4,672.1 billion in 2019 at a CAGR of 9.3%. The size of China's catering industry declined in 2020 to RMB3,952.7 billion due to the impact of the COVID-19 pandemic, but recovered to RMB4,689.5 billion in 2021. China's catering industry is expected to resume its rapid and steady growth and reach RMB8,279.9 billion in 2026, representing a CAGR of 12.0% from 2021 to 2026. The growth of China's catering industry is primarily driven by increases in disposable income, urbanization rates and the penetration rate of dine-out and delivery, as well as improvements in food safety and a favorable regulatory environment.

### Key features of China's catering industry

China's catering industry may be further subcategorized by cuisine type, dining mode, and operational model. Each of these subcategories is described in more detail below.

#### *Western cuisine is a fast-growing segment*

In terms of cuisine type, China's catering industry comprises three segments, namely (i) Chinese cuisine, (ii) Western cuisine and (iii) other cuisines. In 2021, Chinese cuisine was the largest category in China's catering market, accounting for 78.3% of China's total catering market, followed by Western cuisine at 15.8% and other cuisines at 5.9%. The typical average spending per guest at Chinese cuisine restaurants and Western cuisine restaurants ranged from RMB15 to RMB150, and RMB30 to RMB200, respectively.

Western cuisine and other cuisines have historically grown faster than Chinese cuisine. From 2016 to 2019, the size of the Western cuisine segment grew at a CAGR of 11.7%, outpacing the growth of Chinese cuisine, which grew at a CAGR of 8.5% in the same period. In 2020, the size of the Western cuisine segment decreased due to the impact of the COVID-19 pandemic, but is expected to recover and grow at a CAGR of 13.5% from 2021 to 2026, driven by consumers seeking consumption upgrades, as well as by the increasing acceptance of western-style food by consumers.

***Food delivery is growing rapidly***

The size of the food delivery industry in China has grown rapidly, increasing from RMB231.3 billion in 2016 to RMB596.8 billion in 2019, representing a CAGR of 37.2%. In 2020 and 2021, China's food delivery industry continued to grow, reaching RMB715.4 billion and RMB970.5 billion, even as the overall China catering market contracted in 2020. In terms of penetration of the China's overall catering industry, food delivery increased from 6.5% in 2016 to 20.7% in 2021. Looking ahead, the growth of food delivery is expected to maintain its momentum. From 2021 to 2026, the size of the food delivery industry is expected to grow at a CAGR of 16.6% to reach RMB2,091.2 billion, at which time the penetration of food delivery is expected to reach 25.3%.

This growth will be driven by the increasing popularity of food delivery, which has been accelerated by the COVID-19 pandemic, as well as increasing mobile penetration and growing demands for convenience arising from the busy lifestyles of Chinese consumers. Restaurants that are able to (i) serve foods that are highly suited for delivery, (ii) create synergies between dine-in and delivery, (iii) offer fast and convenient food delivery services that preserve the temperature and freshness of the food, and (iv) do so with high penetration across the Chinese market are expected to benefit from this trend.

***Restaurant chains are expected to maintain their share of the Western cuisine market***

In terms of operating models, restaurant chains accounted for 20.3% of the overall PRC catering industry in 2021. However, restaurant chains captured 48.6% of the western cuisine segment in 2021. Restaurant chains enjoy a number of advantages compared to independent restaurants, including (i) extensive store networks that accelerate the growth of brand awareness and increase sales volume per store, (ii) consistent quality and safety of dishes across the store network, which has been especially important during the COVID-19 pandemic, (iii) more resources to invest in product and technology development resulting in higher product and technological enhancement, (iv) larger scale resulting in better access to capital and talent, as well as improved cost efficiency. These advantages are expected to enable restaurant chains to maintain their share in the Western cuisine market.

**Market drivers of China's catering industry**

The key market drivers of China's catering industry include:

- *Increasing disposable income and urbanization rate*. Over the past few years, spending on restaurant meals has experienced strong growth as urban residents seek to improve their lifestyles. This trend has been further bolstered by increasing disposable incomes and urbanization rates.

- *Growing penetration of delivery and dining out*. Instead of cooking at home, consumers increasingly prefer to order delivery, order carryout, or dine out. The penetration rate of delivery, carryout and dining out in China, which refers to the percentage of meals eaten that were not cooked at home, grew from 23.0% in 2016 to 23.8% in 2019, before falling to 20.0% in 2020 due to the adverse impact of the COVID-19 pandemic, but is expected to grow at an accelerated pace to 26.6% in 2026. This recovery will be driven by younger consumers that generally prefer not to cook at home, the growth of single-person households, growing household spending, increasing urbanization rate and the strong growth of delivery services. Restaurants that excel in delivery and provide a differentiated food delivery experience for consumers are expected to benefit from this trend in the future.

- *Restaurant chains are expected to benefit from increased focus on food safety*. Large restaurant chains in China have more comprehensive food safety management systems and supply chains, enabling them to ensure quality consistency in the food that they serve. Additionally, the Chinese government has issued a series of policies and regulations to promote the standardization and development of the catering industry. Restaurant chains, which tend to be larger and have higher standards of food safety and quality, are expected to outperform independent restaurants in this food safety-focused regulatory environment.

**The impact of the COVID-19 pandemic on China's catering industry**

The COVID-19 pandemic had a significant impact on China's catering industry. In 2020, the COVID-19 pandemic resulted in quarantines, travel restrictions, limitations on social or public gatherings, and the temporary closure of business venues and facilities across China. Under these conditions, the size of China's catering market declined from RMB4,672.1 million in 2019 to RMB3,952.7 million in 2020. Despite the overall contraction of China's catering market, the COVID-19 pandemic accelerated the growth in demand for food delivery services. In particular, the restrictions on dine-in and grocery shopping options that were imposed to manage the pandemic accelerated the consumer adoption of food delivery as a regular dining habit. As a result, restaurants that are able to offer food delivery services were able to better weather the adverse effects COVID-19 pandemic.

## THE CHINA PIZZA MARKET

### Overview

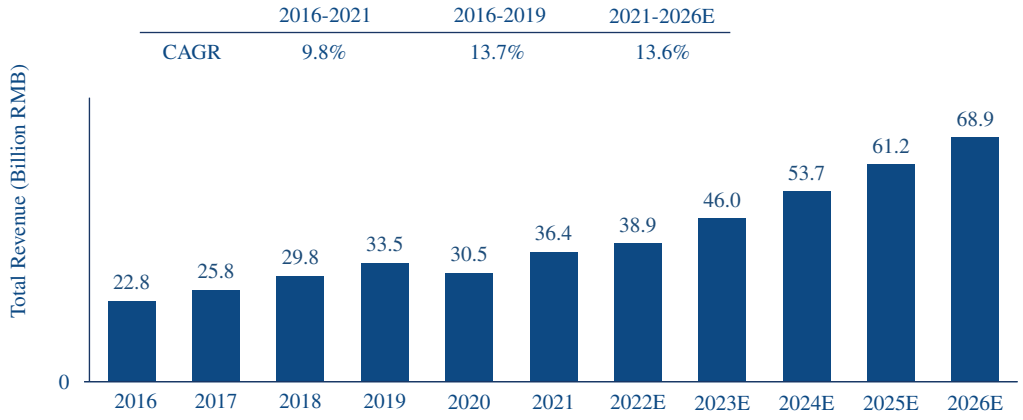
The China pizza market is a sub-segment of the Western cuisine segment. China's pizza restaurants typically serve a range of foods, including (i) pizzas, which are usually customizable in terms of crusts, sizes, sauces and toppings; (ii) staple foods, such as bread, sandwiches, rice and pasta; (iii) sides, such as fried chicken, fries, barbecued meats, desserts; and (iv) drinks, such as sodas, bottled beverages, tea and coffee. Amidst increasing disposable income, continual product innovation, the growing acceptance of Western cuisine among young consumers, and the growth of the pizza market in lower-tier cities, pizza restaurants have been popular in China for the last few decades and are expected to become increasingly popular in the future.

### Size of the China pizza market

From 2016 to 2019, the size of the China pizza market, as measured by revenue, grew from RMB22.8 billion to RMB33.5 billion at a CAGR of 13.7%. From 2021 to 2026, the size of the China pizza market is expected to grow at a CAGR of 13.6% and reach RMB68.9 billion in 2026. The growth of the China pizza market is driven by China's increasing urbanization, the growing disposable income of Chinese consumers and the rising consumer acceptance of western cuisine, especially among the younger generation of Chinese consumers. According to Frost & Sullivan, although pizza is not a new type of food in China, the pizza market still has tremendous potential in China given its low penetration. For example, in 2021, there were approximately 24 pizza stores per million people in Tier 1 and New Tier 1 cities, while there were approximately 14 and 6 pizza stores per million people in Tier 2 and Tier 3 (or lower) cities. This compares to approximately 28.1 and 28.3 stores per million people in Japan and South Korea during the same period. In recent years, the pizza market in China has recorded significant growth before the onslaught of COVID-19 in 2020, with a CAGR of 13.7% from

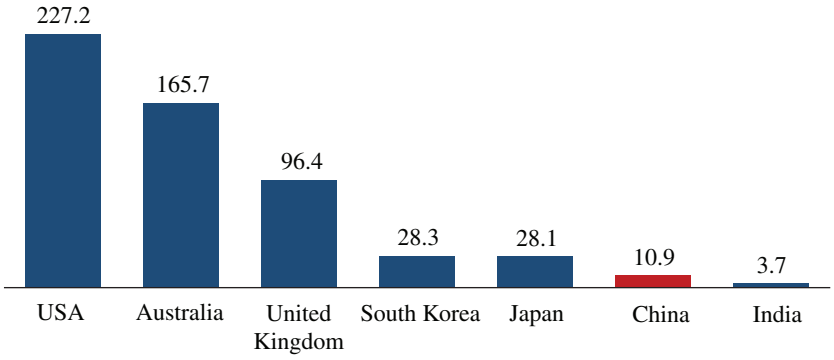
2016 to 2019. In 2020, the outbreak of COVID-19 has dragged down economic sentiment and activities related to on-site public gathering and consumption in China. Due to the strict quarantine measures implemented by the PRC government to restrain the further spread of COVID-19, the revenue of China's pizza restaurant markets declined from RMB33.5 billion in 2019 to RMB30.5 billion in 2020. Looking forward, the total revenue of China's pizza restaurant market is expected to increase from 2021 to 2026 with a 13.6% CAGR, which is similar to the rate before the COVID-19 pandemic. The chart below sets forth the market size of the China pizza market, in terms of revenue, from 2016 to 2026.

**Market size of China's pizza restaurant market, 2016 - 26E**




Looking ahead, the increasing penetration of pizza restaurants in both higher and lower tier cities, development of food delivery and growing popularity of western cuisine – including pizza – will contribute to the sustained growth of the China pizza market. In particular, the China pizza market is currently underserved compared to other East Asian countries, which have similar food cultures to China. According to Frost & Sullivan, East Asian countries, including China, Japan and South Korea, share similar dining cultures where rice and noodles play important roles in their residents' diet. As a result, even though the number of western cuisine restaurants in China has not reached the level in western countries, pizza restaurants, as a part of western cuisine restaurants, is likely to have a sustained development to get closer to the store density in terms of pizza stores per million population in Japan and South Korea in the future. The table below compares the number of pizza stores per million population of China with those of other countries around the world in 2021:

**Pizza stores per million population in 2021**

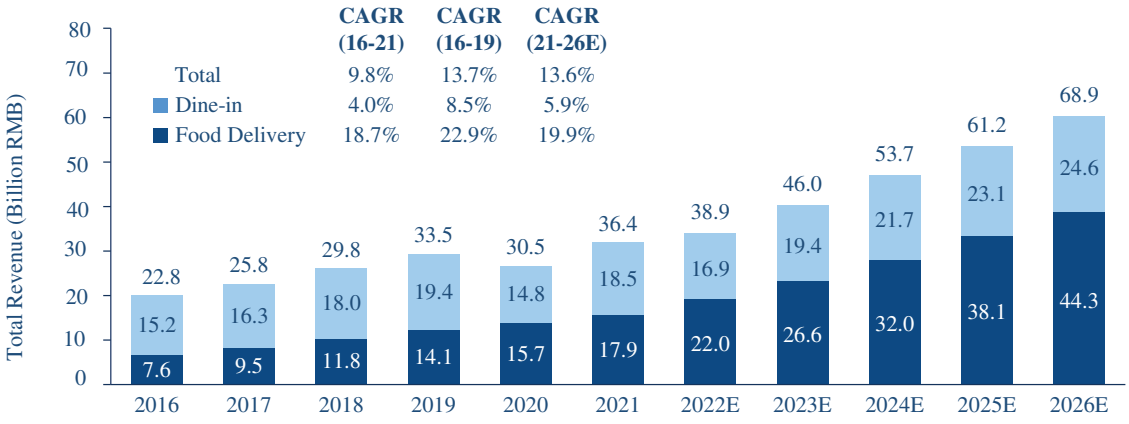


**Food delivery outpaces dine-in in the China pizza market**

Within the China pizza market, food delivery sales have grown rapidly and are expected to account for the majority of revenue in the China pizza market within the next five years. From 2016 to 2019, the size of the food delivery segment within the China pizza market, as measured by revenue, grew from RMB7.6 billion to RMB14.1 billion at a CAGR of 22.9%. In 2020, although the overall China pizza market experienced a contraction due to the adverse effects of the COVID-19 pandemic, the pizza delivery market showed strong resilience and reached RMB15.7 billion in size. From 2021 to 2026, the size of the food delivery segment within the China pizza market is expected to grow at a CAGR of 19.9% and reach RMB44.3 billion in 2026, at which time the size of the food delivery segment is expected to represent 64.3% of the China pizza market.

The fast growth of food delivery within the China pizza market is primarily attributable to pizza's high suitability for food delivery, the development of China's food delivery platforms and the growing number of mobile internet users in China. The chart below sets forth the market size of the China pizza market, in terms of revenue and broken down by food delivery and dine-in, from 2016 to 2026.

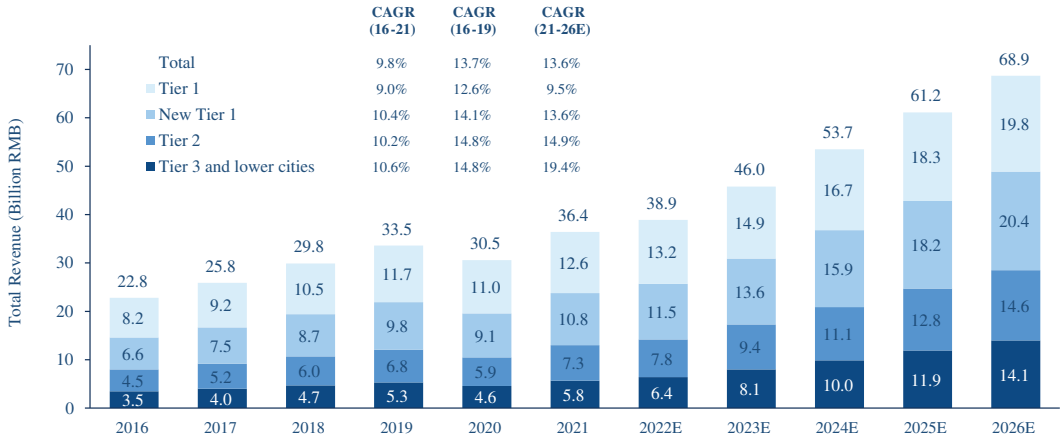
**Market size of China's pizza restaurant market, breakdown by food delivery and dine-in, 2016 - 2026E**




**The China pizza market is concentrated in Tier 1 and New Tier 1 Cities, with lower-tier cities catching up quickly**

In 2021, Tier 1 and New Tier 1 cities generated 64.3% of the revenue of the China pizza market. Looking forward, the China pizza market is expected to remain concentrated in Tier 1 and New Tier 1 cities, which are expected to account for 58.3% of the total China pizza market in 2026. Nevertheless, Tier 2, Tier 3 and lower tier cities are expected to have greater market potential and grow at a higher CAGR than Tier 1 and New Tier 1 cities from 2021 to 2026. The chart below sets forth the market size of the China pizza market, in terms of revenue and broken down by city tiers, from 2016 to 2026.

**Market size of China's pizza restaurant market, breakdown by city tiers, 2016 - 2026E**




**Restaurant chains are expected to maintain their significant share of the China pizza market**

The China pizza market is dominated by restaurant chains. In 2021, restaurant chains represented 89.3% of the total China pizza market in terms of market size. The dominance of restaurant chains within the China pizza market is expected to continue. By 2026, the market size of restaurant chains within the China pizza market is expected to reach RMB63.7 billion, or 92.5%, of the total China pizza market.

## THE COMPETITIVE LANDSCAPE OF THE CHINA PIZZA MARKET

### Overall competitive landscape

The China pizza market is highly concentrated, with the top five players accounting for 51.6% of the market share in terms of revenue in 2021. The Company was the third largest pizza restaurant company in the China pizza market in terms of revenue in 2021, with a 4.4% market share. This followed a steady increase across 2017, 2018, 2019, 2020 and 2021, in which the Company's market share was 1.6%, 2.0%, 2.4%, 3.6% and 4.4%, respectively. The table below sets forth the top five brands in the overall China pizza market in 2021. Among the top five market players, the Company offered the widest range of pizza crusts and toppings, in terms of pizza choices in the menu, in the market as of December 31, 2021.

**Ranking and market share of leading players in the China pizza market in terms of revenue, 2021**

| Ranking | Company | Revenue (RMB Billion) | Market Share (%) | Number of Restaurants in China |
|---|---|---|---|---|
| 1 | Pizza Hut China[(1)] | 13.6 | 37.4% | ~2,590 |
| 2 | Champion Pizza[(2)] | 2.2 | 6.0% | ~2,150 |
| **3** | **The Company** | **1.6** | **4.4%** | **468** |
| 4 | Papa John's China[(3)] | 0.7 | 1.9% | ~220 |
| 5 | Lacesar Pizza[(4)] | 0.7 | 1.9% | ~140 |
| | **Top 5** | **18.8** | **51.6%** | |
| | **Others** | **17.6** | **48.4%** | |
| | **Total** | **36.4** | **100.0%** | |

*Notes:*

(1) Pizza Hut China is a multinational, pizza-focused brand that entered China in the 1990s.

(2) Champion Pizza is a domestic, pizza-focused brand established in 1998.

(3) Papa John's China is a multinational, pizza-focused brand that entered China in the 2000s.

(4) Lacesar Pizza is a domestic, pizza-focused brand established in 2010.

## Food delivery competitive landscape

As a sub-segment of the China pizza market, the pizza delivery market is also highly concentrated, with the top five players accounting for 47.5% of all food delivery sales within the China pizza market. In 2021, the Company was the third largest pizza restaurant company in the China pizza market in terms of food delivery revenue, with a 6.7% market share in 2021. The table below sets forth the top five brands in terms of food delivery revenue within China pizza market in 2021.

**Ranking and market share of leading players in the China pizza Market in terms of food delivery revenue, 2021**

| Ranking | Company | Food Delivery Revenue (RMB Billion) | Market Share (%) |
|---|---|---|---|
| 1 | Pizza Hut China | 4.8 | 26.8% |
| 2 | Champion Pizza | 1.5 | 8.4% |
| **3** | **The Company** | **1.2** | **6.7%** |
| 4 | Papa John's China | 0.5 | 2.8% |
| 5 | Lacesar Pizza | 0.5 | 2.8% |
| | **Top 5** | **8.5** | **47.5%** |
| | **Others** | **9.4** | **52.5%** |
| | **Total** | **17.9** | **100.0%** |

### Tier 1 Cities competitive landscape

Tier 1 cities accounted for 34.6% of the China pizza market in 2021. Within Tier 1 cities, the Company was the second largest pizza company in terms of revenue in 2021. The table below sets forth the top five players in the overall China pizza market for 2021 in Tier 1 cities.

**Top 5 players in Tier 1 Cities, 2021**

| Ranking | Company | Overall revenue in Tier 1 cities (RMB Billion) | Overall market share in Tier 1 Cities (%) | Delivery revenue in Tier 1 cities (RMB Billion) | Delivery market share in Tier 1 Cities (%) |
|---|---|---|---|---|---|
| 1 | Pizza Hut China | 3.2 | 25.4% | 1.2 | 17.4% |
| **2** | **The Company** | **1.3** | **10.3%** | **1.0** | **14.5%** |
| 3 | Champion Pizza | 1.1 | 8.7% | 0.8 | 11.6% |
| 4 | Lacesar Pizza | 0.6 | 4.8% | 0.4 | 5.8% |
| 5 | Papa John's China | 0.4 | 3.2% | 0.3 | 4.3% |
| | **Top 5** | **6.6** | **52.4%** | **3.7** | **53.6%** |
| | **Others** | **6.0** | **47.6%** | **3.2** | **46.4%** |
| | **Total** | **12.6** | **100.0%** | **6.9** | **100.0%** |

## MARKET DRIVERS AND TRENDS OF THE CHINA PIZZA MARKET

The following are the key market drivers and trends of the China pizza market:

- *Increasing disposable income*. Per capita disposable income in China has been growing rapidly in tandem with the growth of China's economy. As consumers' disposable income have grown, they have increased their expenditure on food. This would boost purchasing power and demand for the entire catering market, including pizza restaurants in China. Moreover, growing incomes have also led consumers to seek out higher food quality, more customization options, better service, and quicker delivery, driving the development of the China pizza market.

- *Development of food delivery*. Consumers' demand for food delivery has continually grown across China's catering industry. Pizza restaurants will benefit from this trend, as pizza is highly suited for food delivery. After the rapid expansion in 2020 caused by the COVID-19 pandemic, food delivery still achieved growth in 2021, when the COVID-19 pandemic was relatively alleviated comparing to 2020. Looking forward, as an increasing number of consumers get used to choosing food delivery and the customer bases and consumer behavior further improve, it is expected that the food delivery market will grow further in the post-epidemic era. Pizza restaurants that are able to create synergies between dine-in and delivery and offer fast and convenient food delivery services across China are expected to perform well.

- *Growing acceptance of Western cuisine among younger consumers.* China's younger consumers are more willing to try Western cuisine, including pizza, as they are more exposed to Western lifestyles and culture. As the younger generation has become the major consumption group, western style restaurants are expected to be more popular among consumers, which in turn will drive the growth of the China pizza market. In addition, the customer bases of western cuisine also experienced a sustained growth in recent years. It is noted that people who returned to China after finishing overseas study are growing. From 2019 to 2021, this group increased from 0.6 million per year to 1.0 million. As many of these people have lived in western countries and were relatively familiar with western cuisine, this group of people are likely to boost demand for western cuisine, including pizza.

- *Continual product innovation*. Continual product innovation is a driving force for the China pizza market. Driven by an overall trend of consumption upgrades, there is growing demand for diverse pizza flavors among Chinese consumers. To meet this demand, pizza restaurants must regularly update their menus by introducing new products that integrate local flavors.

- *Growth potential from lower-tier city markets*. Third-tier and lower cities have a large consumer base and steadily growing income, which is expected to drive the consumption of pizza in those cities. In addition, although most pizza restaurants are currently located in Tier 1, New Tier 1 and Tier 2 cities, the growth of pizza restaurants in lower-tier cities is expected to be faster, driving the growth of the China pizza market.

- *Food safety and quality control*. Large restaurant chains in China have more comprehensive food safety management systems and supply chains, enabling them to ensure quality consistency in the food they serve. Pizza restaurant chains, which are larger in scale and hold themselves to higher standards, are able to offer better food safety and quality control, which will drive the market.

- *Innovation of technology and digitalization*. The adoption of new technologies that enable restaurants to improve their business performance and operations are expected to be a major driver for the China pizza market. These new technologies make it possible to track information about purchases, which enable restaurants to launch targeted, bespoke marketing campaigns that can increase customer stickiness and enhance brand loyalty. For example, pizza restaurants that leverage new technologies to track the popularity of different pizzas to offer customized promotions to customers.

## CHALLENGES AND ENTRY BARRIERS OF THE CHINA PIZZA MARKET

Although there may not be significant entry barriers in operating and managing a single pizza restaurant, there are significant entry barriers in becoming a large-scale pizza restaurant chain with multiple restaurant locations. There are also challenges inherent to operating a business in the China pizza market. The challenges and principal entry barriers to doing so include the following:

- *Brand awareness.* A pizza restaurant with a high brand awareness is more likely to be welcomed by customers. Generally, a brand's reputation is highly related to the taste, safety and quality of that brand's food and drink, as well as the brand's quality of service and premises. High brand awareness also helps brands negotiate with suppliers and landlords, resulting in more favorable economics for the brand. For new entrants, it is hard for them to establish brand awareness in the short term.

- *Ability to effectively manage supply chains.* Newer entrants to the China pizza market may not be able to manage their supply chain to ensure that fresh and high quality food ingredients and other raw materials are purchased at favorable prices, readily available from qualified suppliers and delivered at the time and in the amounts necessary across all of its restaurants. Similarly, newer entrants may also experience difficulties with maintaining high levels of food safety throughout their supply chains, particularly if they have not developed a network of central kitchens to centralize and standardize food processing. Extensive experience in supply chain management for large-scale operations and maintaining cost efficiency are key entry barriers for new market players.

- *Ability to offer a seamless delivery experience*. New entrants to the China pizza market may find it difficult to offer a seamless delivery experience to their customers. By contrast, experienced players in the China pizza market typically have business models that are more optimized for delivery in terms of store design, in-kitchen procedures, online ordering platforms the use of a dedicated rider fleet, and other features that work together to create a seamless, timely and reliable delivery experience for consumers.

- *Technology investment.* Pizza restaurant companies that invest in technology infrastructure and adopt new technologies generally are able to provide a unique consumer experiences for both dine-in and delivery, improve convenience for guests and streamline operations to reduce costs and achieve economies of scale. In particular, new entrants to the China pizza market may find it difficult to optimize their technology for a delivery focused business model.

- *Ability to maintain standardization and regulatory compliance.* As a relatively smaller and newer entrant to the China pizza market grows in size, it becomes more difficult to ensure that all of its restaurant units carry out standardized operations, especially with respect to food quality, hygiene and service quality. It is also challenging for new entrants to the China pizza market to manage a large pizza restaurant network, as it becomes more challenging to ensure that all restaurant units and staff comply with the laws and regulations of multiple jurisdictions.

- *Ability to maintain growth and attractive economics.* As a new entrant to the China pizza market opens more units and grows in size, it becomes more difficult to maintain its pace of growth and achieve attractive overall economics. Opening new pizza restaurants requires capital investment, management oversight and human resources. Moreover, pizza restaurant companies may also find it hard to successfully prevent cannibalization among its existing restaurants. Due to the initial capital expenditure requirements and potentially long ramp-up periods to achieving breakeven or cash investment payback, new pizza restaurant companies may find it challenging to maintain a healthy cash flow from operations while growing rapidly.

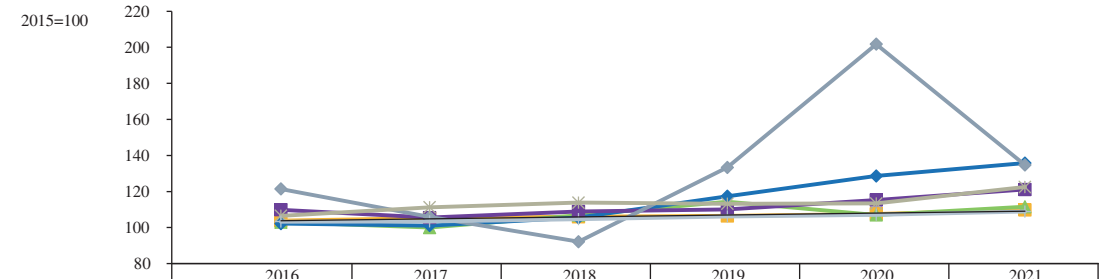
## COST OF RAW MATERIALS AND LABOR

### Cost of raw materials

The cost of raw materials, such as food ingredients, represents a key cost item for restaurants in China. For pizza restaurants, the main raw materials include cheese, wheat flour, chicken, beef, pork and vegetables.

The prices of these ingredients, as like most food materials, have increased during recent years, accompanied by significant price volatility. For example, beef has steadily grown more expensive. The consumer price index of beef increased from 98.7 in 2016 to 134.9 in 2021, primarily due to the growing demand of China's consumers. On the other hand, the consumer price index of pork has been volatile for several years, decreasing from 119.4 to 87.9 from 2016 to 2018 due to an increase in the global supply of pigs, before increasing from 87.9 to 206.0 from 2018 to 2020 due to the outbreak of African Swine Fever and COVID-19. In 2021, the consumer price index of pork decreased to 133.7. Looking ahead, it is expected that consumer price index of raw food materials will continue to grow at a moderate rate, driven by growing income levels, the developing macroeconomy and rising personal health awareness among Chinese consumers. The chart below sets forth the consumer price index trends of major raw materials used by pizza restaurants in China for the years indicated.

**2015-based consumer price index of raw food Material (China), 2016-2021**



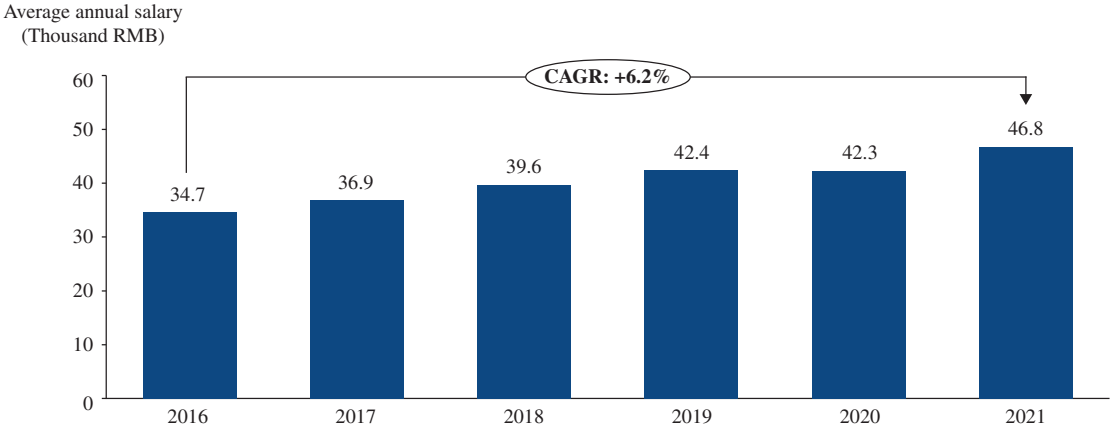

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| Wheat Flour | 100.5 | 102.0 | 102.8 | 103.3 | 104.5 | 106.9 |
| Poultry | 99.6 | 96.3 | 103.7 | 111.8 | 103.9 | 108.8 |
| Beef | 98.7 | 97.5 | 102.3 | 115.1 | 127.2 | 134.9 |
| Vegetable | 107.0 | 102.3 | 106.0 | 107.2 | 112.8 | 119.1 |
| Pork | 119.4 | 102.7 | 87.9 | 132.3 | 206.0 | 133.7 |
| Fishery Product | 103.4 | 108.5 | 111.3 | 110.6 | 110.8 | 120.6 |
| Dairy Product | 99.9 | 100.0 | 101.4 | 103.0 | 104.0 | 105.9 |

*Source: National Bureau of Statistics of China*

## Cost of labor

In line with the rapid growth of China's economy, the annual salary of employees in China's catering industry increased at a CAGR of 6.2% from 2016 to 2021 and is expected to continue to increase in the coming years. Similarly, labor costs for restaurants are expected to continue to grow at a moderate rate, ranging from approximately 4% to 6%, driven by the growth of the overall economy, rising disposable income and inflation. The chart below sets forth the average annual salary of employees in China's catering industry for the years indicated.

**Average annual salary of employees (China), 2016-2021**




*Source: National Bureau of Statistics of China*

## SOURCES OF INFORMATION

We engaged Frost & Sullivan, an independent third party, to conduct a study of the catering and pizza market in China. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. We agreed to pay Frost & Sullivan a fee of RMB1,150,000 for the preparation of the Frost & Sullivan Report. Unless otherwise stated, figures and statistics provided in this document and attributed to Frost & Sullivan have been extracted from the Frost & Sullivan Report and published with the consent of Frost & Sullivan. Our Directors confirm to the best of their knowledge, and after making reasonable enquiries, that there have been no adverse changes in the industry since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information set out in this section.

We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of China's catering and pizza markets for prospective investors. The methodology used by Frost & Sullivan includes (i) detailed primary research which involves discussing the status of the industry with leading industry participants and industry experts, and (ii) secondary research which involves reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

Frost & Sullivan considers the source of information set out in the Industry Overview section as reliable because (i) it is general market practice to adopt official data and announcements from various PRC government agencies; and (ii) the information obtained from interviews is for reference only, and the findings in its report are not directly based on the results of those interviews. Frost & Sullivan has a proven track record in providing market research studies to government and private clients in the regions covered by the Frost & Sullivan Report covers.

In preparing and compiling the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable in the forecast period; (iii) market drivers like the increasing number of shopping malls, development of social media and growing group of pizza customers are likely to drive the prosperity of China's catering and pizza markets; and (iv) given the strict quarantine and containment measures taken by the Chinese government, the COVID-19 pandemic will be effectively controlled and will not frustrate the long-term steady development of the Chinese economy.

## OVERVIEW

We are Domino's Pizza's exclusive master franchisee in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China. As of the Latest Practicable Date, we directly operated 569 stores across 14 cities in the China mainland.

Our Company acts as the holding company of our Group and was incorporated in the British Virgin Islands as a business company with limited liability on April 30, 2008 for the purpose of operating a food and beverage business in China. Our Company was co-founded by Mr. Frank Paul Krasovec, Mr. Zohar Ziv and certain other co-founders who are Independent Third Parties of the Group. Prior to founding our Company, our co-founders served as executives of global companies operating in a number of industries, including catering, real estate and financial services, in China. Mr. Krasovec and Mr. Ziv presently serve as non-executive Directors of our Group, and Mr. Krasovec has also served as chairman of our Group since our inception. Mr. Krasovec is a seasoned and successful entrepreneur who has founded highly successful companies and helped build and monetize numerous investments in multiple industries, including media/telecommunications, promotional products, energy products and services, food and beverage and real estate development and management. Mr. Ziv is an active director, advisor and investor with extensive executive management experience across various industries.

Prior to 2009, our co-founders had accumulated experience investing in and bringing western catering chains to China, and were optimistic that there was significant room for western cuisine to grow in China. Our co-founders therefore sought out business opportunities to bring new western catering chains to China. One of the potential opportunities they identified was Domino's Pizza, with which they were well acquainted given the strength of the Domino's Pizza brand in the U.S. and around the world. As a result, in 2009, Mr. Krasovec and our other co-founders leveraged their business relationships and networks to arrange a meeting with executives at Domino's Pizza Inc. to explore business opportunities to bring the Domino's Pizza brand to the China mainland. Subsequently, Domino's Pizza Inc. introduced Mr. Krasovec and our other co-founders to Pizzavest China Ltd., which was owned by Pizzavest Co., Ltd., a Taiwan-based company that held the exclusive rights to operate Domino's Pizza stores in Beijing, Tianjin, Shanghai, Jiangsu Province and Zhejiang Province at that time. Following a period of negotiations with Pizzavest Co., Ltd., in December 2010, we acquired Pizzavest China Ltd. Since then, we have been dedicated to operating Domino's Pizza stores and growing the Domino's Pizza brand in China. From 2010 to 2017, our Company was primarily focused on growing our presence in Beijing and Shanghai. We expanded to Hangzhou in March 2016, opening our first Domino's Pizza store outside of Shanghai and Beijing.

In May 2017, Aileen Wang joined us as CEO, strengthening our leadership and making a pivot in our business strategy as we embraced localized senior management, the rapid expansion of our store network, a delivery-centric model, technology and a menu that is continually being developed and localized. In June 2017, we renewed the Master Franchise Agreement with Domino's International, a subsidiary of Domino's Pizza, Inc., under which the franchise area was extended to the entire China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China, with an initial term of 10 years, which may be renewed at our option for two additional 10-year terms, subject to the fulfillment of certain conditions.

## KEY MILESTONES

The following table sets forth our key milestones:

| Time | Event |
|---|---|
| December 2010 | We acquired Pizzavest China Ltd. which was entitled to operate Domino's Pizza in Beijing, Tianjin, Shanghai, Jiangsu Province and Zhejiang Province. |
| March 2016 | We expanded to Hangzhou and opened our first Domino's Pizza store outside Shanghai and Beijing. |
| May 2017 | Aileen Wang joined us as CEO, strengthening our senior leadership. |
| June 2017 | We renewed the Master Franchise Agreement with Domino's International, under which the franchise area was extended to the entire China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China. |
| July 2017 | Dash DPZ China Limited, or DPZ China held 100% equity interests in Pizzavest China Ltd., which was Domino's Pizza's master franchisee in China mainland. Before July 2017, DPZ China was majority-owned by our Company. In July 2017, our Company issued additional shares to the minority shareholder to acquire the remaining equity interests in DPZ China (the "**Acquisition**"). After the Acquisition, DPZ China became a wholly-owned subsidiary of our Company. |
| August and November 2018 | We expanded to Shenzhen and Guangzhou, representing two of the largest markets in southern China. |
| May 2020 | We received an investment from Domino's Pizza LLC, a subsidiary of Domino's Pizza, Inc., for an aggregate amount of approximately US$40 million. |
| January 2021 | We received an additional investment from Domino's Pizza LLC for an aggregate amount of approximately US$40 million. |
| April 2021 | We opened our 400th store. |
| December 2021 | We received an investment from Domino's Pizza LLC, D1 SPV Master Holdco I (Hong Kong) Limited and SMALLCAP World Fund, Inc. for an aggregate amount of approximately US$50 million. |

## MAJOR SUBSIDIARIES AND OPERATING ENTITIES

The principal business activities and date of establishment of each of our Major Subsidiaries are shown below:

| Name of company | Principal business activities | Date and jurisdiction of establishment |
|---|---|---|
| Beijing Pizzavest Fast Food Co., Ltd. (北京達美樂比薩餅有限公司) ("**Dash Beijing**") | Operating our stores in Beijing, Tianjin and Sanhe | July 22, 1996, PRC |
| Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司) ("**Dash Shanghai**") | Operating our stores in Shanghai, Nanjing, Suzhou, Wuxi and Hangzhou | October 25, 2007, PRC |
| Shenzhen Pizzavest Fast Food Co., Ltd. (深圳達美樂餐飲管理有限公司) ("**Dash Shenzhen**") | Operating our stores in Shenzhen and Foshan | May 23, 2018, PRC |
| Domino's Pizza (Guangzhou) Fast Food Co., Ltd. (達美樂比薩(廣州)餐飲管理有限公司) | Operating our stores in Guangzhou | July 19, 2022, PRC |
| Sanhe Municipal Domino's Pizza Co., Ltd. (三河市達美樂比薩餅有限公司) | Serving our stores in Beijing, Tianjin and Sanhe | August 23, 2013, PRC |
| Dongguan Domino's Food Co., Ltd. (東莞達美樂食品有限公司) | Serving our stores in Guangzhou, Shenzhen and Foshan | June 28, 2018, PRC |
| Shanghai Domino's Food Co., Ltd. (上海達美樂食品有限公司) ("**Shanghai Domino's**") | Serving our stores in Shanghai, Nanjing, Suzhou, Wuxi, Hangzhou and Ningbo | April 1, 2019, PRC |

## MASTER FRANCHISE AGREEMENT

In December 2010, we acquired Pizzavest China Ltd., which was Domino's Pizza's master franchisee in Beijing, Tianjin, Shanghai, Jiangsu Province and Zhejiang Province at that time. On June 1, 2017, Domino's Pizza International Franchising Inc., and Pizzavest China Ltd., a wholly-owned subsidiary of our Company, entered into an amended and restated Master Franchise Agreement with an initial term of ten years, which may be renewed at our option for

two additional ten-year terms, subject to the fulfillment of certain conditions. Pursuant to the terms of the Master Franchise Agreement, we have the exclusive right to develop, operate and sub-franchise the right to develop and operate Domino's Pizza delivery stores, as well as an exclusive license to use and sub-license the use of the Domino's system and the associated trademarks in entire China mainland. In exchange, we pay franchise fees and royalty fees to Domino's Pizza International Franchising Inc. For details, see "Business – Master Franchise Arrangements" and "Connected transactions – Master Franchise Arrangements". The Master Franchise Agreement may be terminated upon the occurrence of certain events. For details, see "Risk factors – Risks relating to our business and industry – We rely significantly on our Master Franchise Agreement with Domino's International for our business operations". We did not have any material breach of the Master Franchise Agreement during the Track Record Period, and we actively monitor our compliance with the terms of the Master Franchise Agreement on an ongoing basis.

## MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Our Company was incorporated in British Virgin Islands under the name "Dash Brands Ltd." as a business company with limited liability on April 30, 2008. On September 13, 2021, our Company changed its name to "DPC Dash Ltd" (达势股份有限公司). Upon incorporation, our Company was authorized to issue a maximum of 50,000 Shares.

The major shareholding changes of our Company since its incorporation relate to the Pre-IPO Investments, which took place from 2008 to 2021 and led to the issuance of an aggregate of: (a) 2,884,511 Series A Preference Shares, (b) 5,651,797 Series B Preference Shares, (c) 5,418,137 Series C Preference Shares, (d) 4,116,550 Series D Preference Shares, (e) 10,368,361 Series E Preference Shares, (f) 19,366,331 Ordinary Shares, (g) 16,794,177 2020 Senior Ordinary Shares, and (h) 1,306,842 2021 Senior Ordinary Shares. Please refer to "– Pre-IPO Investments" for further information of shareholding changes in connection with completion of the relevant pre-IPO investments.

In June 2017, we went through a restructuring to streamline the capital structure of our Group, during which all the Preference Shares were converted into Ordinary Shares of our Company.

Before July 2017, DPZ China, which held 100% equity interests in Pizzavest China Ltd., was majority owned by our Company. In July 2017, our Company issued additional shares to the minority shareholder to acquire the remaining equity interests in DPZ China, after which DPZ China became a wholly-owned subsidiary of our Company.

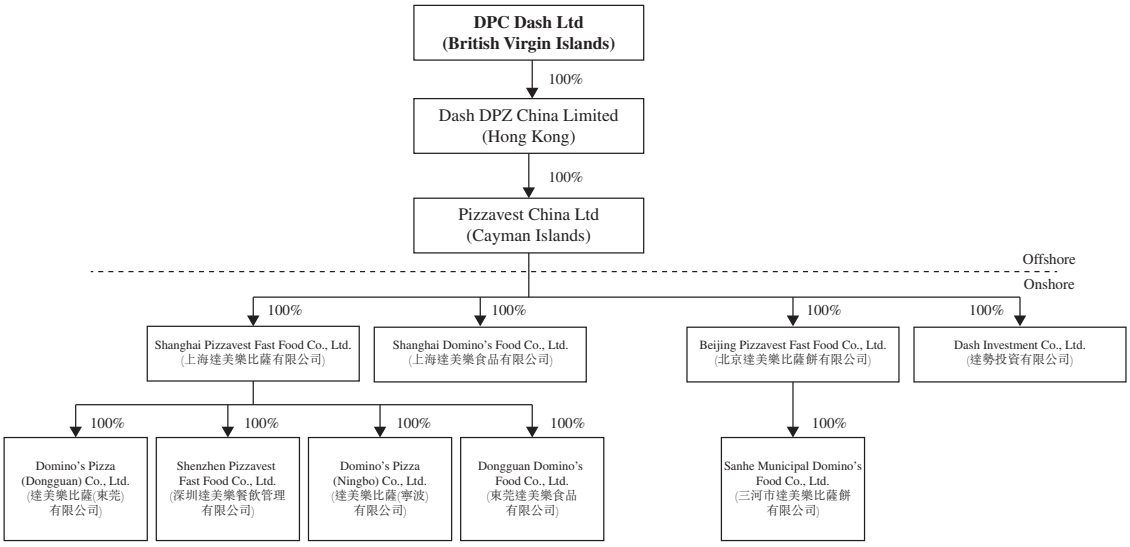
## MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We have not conducted any acquisitions, disposals or mergers that we consider to be material to us during the Track Record Period.

## REORGANIZATION

In preparation for the Listing and to streamline our corporate structure, we underwent a reorganization of our corporate structure (the "**Reorganization**"), so that our onshore subsidiaries operating and serving our stores can be held by an onshore holding company. For this purpose, Dash Investment Co., Ltd. (達勢投資有限公司) ("**Dash HQ**") was newly established as a limited liability company under the laws of the PRC on November 1, 2021 to act as our onshore holding company. Immediately prior to the completion of the Reorganization, Dash Shanghai, Shanghai Domino's and Dash Beijing were directly wholly-owned by Dash Cayman. Upon the completion of the Reorganization, Dash Shanghai, Shanghai Domino's and Dash Beijing were directly wholly-owned by Dash HQ.

Below is a diagram illustrating our corporate structure immediately before the Reorganization took place:




A diagram illustrating our corporate structure after completion of the Reorganization and immediately prior to the Global Offering is set out under "– Corporate structure immediately prior to the Global Offering".

## PRE-IPO INVESTMENTS

### (a). Principal terms of the Pre-IPO Investments and Pre-IPO Investors' rights

The below table summarizes the principal terms of the Pre-IPO Investments:

| Round | Date of initial share purchase agreement | Date of last payment of consideration | Approximate amount raised *(US$ million)* | Cost per share *(US$)* | Premium / (discount) to the Offer Price[(1)] |
|---|---|---|---|---|---|
| Series A | August 29, 2008 | August 29, 2008 | 2.9 | 1.00 | (83.8%) |
| Series B | September 22, 2008 | March 18, 2011 | 14.0 | 2.48 | (59.8%) |
| Series C | June 29, 2011 | February 4, 2013 | 10.3 | 1.91 | (69.0%) |
| Series D | March 4, 2013 | September 26, 2013 | 6.2 | 1.50 | (75.7%) |
| Series E | May 1, 2014 | August 1, 2014 | 17.1 | 1.65 | (73.3%) |
| Financing in 2017 | June 26, 2017 | January 22, 2018 | 23.4 | 3.07 | (50.2%) |
| Financing in 2018 | March 27, 2018 | November 14, 2018 | 20.0 | 3.41 | (44.7%) |
| Financing in 2020 (First tranche) | April 27, 2020 | May 4, 2020 | 40.0 | 4.62 | (25.1%) |
| Financing in 2020 (Second tranche) | April 27, 2020 | January 29, 2021 | 40.0 | 4.91 | (20.4%) |
| Financing in 2021 | December 6, 2021 | December 10, 2021 | 50.0 | 6.95 | 12.7% |

*Note:*

(1) Assuming the Offer Price is fixed at HK$48.0, being the mid-point of the indicative Offer Price range.

| | |
|---|---|
| Basis of determining the consideration paid by each Pre-IPO Investor | The basis of determination for the consideration for the Pre-IPO Investments was arm's length negotiations between us and the Pre-IPO Investors after taking into consideration the timing of the investments and the status of our business and operating entities. Accordingly, the Pre-IPO Investors acquired their respective interest in the Company at fair market value at the time each such Pre-IPO Investor made its investment. The fair market value of the Company's shares has increased commensurately with the Company's growth over time. |
| Lock-Up Period | The holders of the 2020 Senior Ordinary Shares and 2021 Senior Ordinary Shares have undertaken not to transfer any Shares held by such holder for a period of not less than 360 days following the completion of the Global Offering. |

| | |
|---|---|
| Use of Proceeds from the Pre-IPO Investments | The proceeds served the general working capital of our Company and was utilized for the development, expansion and operation of our Company's business. As of the Latest Practicable Date, approximately 75% of the net proceeds from the Pre-IPO Investments by the Pre-IPO Investors were utilized. |
| Strategic benefits of the Pre-IPO Investors brought to our Company | At the time of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by each of the Pre-IPO Investors' investments in our Company, as well as each of the Pre-IPO Investors' knowledge and experience. Our global brand, together with our track record in China, enabled us to gain recognition in the early stages of our development, which in turn enabled us to become acquainted with reputable professional and strategic investors, some of whom became our Pre-IPO Investors following arm's length negotiations. Our Pre-IPO Investors include our global franchisor, Domino's Pizza Inc., as well as global investment firms, family offices and individual investors with experience investing in our industry and China-based companies (see further details of our Pre-IPO Investors in paragraphs headed "– Information on the Pre-IPO Investors" below). As a result, our Directors believed that our Company could benefit from each of our Pre-IPO Investors' industry insights and guidance. Our Directors were also of the view that the Company could benefit from the Pre-IPO Investors' commitment to our Company as their investment demonstrates its confidence in the operations of our Company and serves as an endorsement of our Company's performance, strength and prospects. |

**(b). Special rights of certain Pre-IPO Investors**

Certain of the Pre-IPO Investors were granted certain special rights under the Amended and Restated Shareholders Agreement dated December 10, 2021, including pre-emptive rights, information rights, drag-along rights, tag-along rights and the right to appoint directors. The special rights under the Amended and Restated Shareholders Agreement will terminate upon the completion of the Global Offering.

Each of the Class A Ordinary Shares, 2020 Senior Ordinary Shares and 2021 Senior Ordinary Shares will automatically be converted into Ordinary Shares of our Company on the Listing Date. For further information about the shares of our Company, please see "Summary of the constitution of our Company and BVI company law – Summary of British Virgin Islands Company Law and Taxation – Shares" in Appendix III.

**(c). Public float**

Upon completion of the Global Offering, Good Taste Limited and Domino's Pizza LLC will each control or hold in excess of 10% of the issued shares of the Company and therefore their shares will not be counted towards the public float for the purposes of the Listing Rules.

To the best knowledge, information and belief of our Directors, all the Pre-IPO Investors other than Good Taste Limited and Domino's Pizza LLC are Independent Third Parties of our Group and their shares will be counted towards the public float for the purposes of the Listing Rules.

**(d). Information on the principal Pre-IPO Investors**

We set out below a description of our principal Pre-IPO Investors, being investors each holding 0.5% or more of our total issued Shares as at the date of this document (on a fully-converted basis).

Good Taste Limited ("**GTL**"), the Controlling Shareholder of our Company, is an exempted company limited by shares, incorporated on March 19, 2019 under the laws of Bermuda. GTL is ultimately wholly owned and controlled by the trustee of a discretionary family trust, in which Mr. James Leslie Marshall, a Director and the deputy chairman of our Company, is a protector, a discretionary beneficiary and a director of the trustee. Mr. James Leslie Marshall first came in as a minor shareholder of our Company in March 2013, after which he purchased our shares from another shareholder and became the Controlling Shareholder of our Company in April 2019.

Domino's Pizza LLC is a Michigan limited liability company and is a wholly-owned operating subsidiary of Domino's, Inc., a Delaware corporation which in turn is a directly wholly-owned subsidiary of Domino's Pizza, Inc. ("**DPI**"), a Delaware corporation publicly listed on the New York Stock Exchange (NYSE: DPZ). Founded in 1960, DPI is the largest pizza company in the world in terms of 2020 global retail sales, with a significant business in both delivery and carryout pizza. DPI and its wholly-owned subsidiaries (collectively, "**Domino's**") are primarily engaged in the following business activities: (i) retail sales of food through Domino's-owned Domino's Pizza stores; (ii) sales of food, equipment and supplies to Domino's-owned and franchised Domino's Pizza stores through Domino's-owned supply chain centers; (iii) receipt of royalties, advertising contributions and fees from U.S. Domino's Pizza franchisees; and (iv) receipt of royalties and fees from international Domino's Pizza franchisees.

Nordant Industrial Corp. is a company limited by shares, which was registered under the laws of the British Virgin Islands under number 1579258 and incorporated on April 7, 2010. Nordant Industrial Corp. functions as a holding company with the single purpose of holding shares in other companies. Nordant Industrial Corp. is ultimately controlled by Salman bin Sultan bin Salman bin Abdulaziz Al Saud, who is also the sole director of Nordant Industrial Corp.

D1 Master Holdco I (Hong Kong) Limited, a company organized under the laws of Hong Kong, is wholly owned by D1 Master Holdco I LLC, a limited liability company organized under the laws of the State of Delaware, which is wholly owned by D1 Capital Partners Master LP, an exempted limited partnership organized under the laws of the Cayman Islands. D1 Capital Partners Master LP's general partner is D1 Capital Partners GP Sub LLC, a limited liability company organized under the laws of the State of Delaware, and which is ultimately controlled by D1 Capital Partners GP LLC, a limited liability company organized under the laws of the State of Delaware. D1 Capital Partners Master LP's limited partners are D1 Capital Partners Onshore LP, a limited partnership organized under the laws of the State of Delaware, and D1 Capital Partners Intermediate LP, an exempted limited partnership organized under the laws of the Cayman Islands. D1 Capital Partners Onshore LP's general partner is D1 Capital Partners GP LLC, and it has raised capital from limited partners that include high net worth individuals as well as institutional investors. D1 Capital Partners Intermediate LP's general partner is D1 Capital Partners GP LLC, and its sole limited partner is D1 Capital Partners Offshore LP, an exempted limited partnership organized under the laws of the Cayman Islands. D1 Capital Partners Offshore LP's general partner is D1 Capital Partners GP LLC and it has raised capital from limited partners that include high net worth individuals as well as

institutional investors. D1 Master Holdco I (Hong Kong) Limited, D1 Master Holdco I LLC, D1 Capital Partners Master LP, D1 Capital Partners Onshore LP, D1 Capital Partners Intermediate LP and D1 Capital Partners Offshore LP are directly or indirectly controlled by D1 Capital Partners GP LLC, as well as their investment manager, D1 Capital Partners L.P., a limited partnership organized under the laws of the state of Delaware, both of which are ultimately controlled by Daniel Sundheim. D1 Capital Partners L.P. manages private investment vehicles and other accounts which invest globally, in both public and private companies, primarily in the technology, media and telecom, industrials, healthcare, consumer, real estate and financial services sectors.

Alpha Wave Global, LP ("**Alpha Wave**"), a Delaware limited partnership, acts as the sole management company of Falcon Edge Global Master Fund, LP, Moraine Master Fund, LP and Alpha Wave Special Opportunities, LP, each an exempted limited partnership registered in the Cayman Islands. Alpha Wave is a global investment manager with offices in New York, Miami, London, Abu Dhabi, Tel Aviv, and Bangalore. Alpha Wave manages a variety of investment partnerships that cover a number of asset classes, themes, and geographies, and is ultimately controlled by Richard Gerson. Alpha Wave Ventures II, LP, an exempted limited partnership registered in the Cayman Islands, is controlled by its general partner, Alpha Wave Ventures GP, Ltd ("**Alpha Wave GP**"). Alpha Wave GP is a joint venture between Alpha Wave and Chimera Holding RSC Ltd, a company organized under the laws of the Abu Dhabi Global Market.

SMALLCAP World Fund, Inc. ("**SMALLCAP**") is an open-end, diversified investment company registered under the U.S. Investment Company Act of 1940. SMALLCAP, which is advised by Capital Research and Management Company ("**CRMC**"), seeks to provide long-term growth of capital. CRMC is an experienced investment management organization founded in 1931 that serves as the investment adviser to SMALLCAP and other funds, including the American Funds. CRMC is a wholly-owned subsidiary of The Capital Group Companies, Inc. ("**Capital Group**"). Since 1931, Capital Group has been singularly focused on delivering superior, consistent results for long-term investors using high-conviction portfolios, rigorous research and individual accountability.

Matthew James Pringle is a resident of New Zealand who operates within the FMCG global market and holds a variety of investments within his personal portfolio.

The Barth Family Trust is the personal family trust for Avery B. and Andrew F. Barth. Avery and Andrew are the sole trustees. Andrew is a retired investment manager (32+ years) from The Capital Group.

High Tide (Bermuda) Limited ("**High Tide**") is an investment company limited by shares incorporated under the laws of Bermuda. High Tide is owned by three Jersey companies, namely Zad Investments Limited, Elpis Investments Limited and Saf Capital Investments Limited (collectively, the "**SEZ Companies**") via a nominee company, Apex Financial Services (Nominees) Limited. The SEZ Companies are currently 100% owned by a holding company, Galaxy Holdings Limited ("**GHCL**"), which is owned by three Jersey trusts, namely Zad Trust, Elpis Trust and Saf Trust. The ultimate beneficial owners of these trusts are Basma Alireza, Shakeeb Alireza and Yasmin Alireza, each of whom is a member of the Alireza family, which is associated with the Rezayat Group, a major diversified international enterprise based in Saudi Arabia. GHCL is in the process of being liquidated after which the SEZ Companies will be 100% owned by their respective trusts.

Upton Corporation ("**Upton**") is an investment company limited by shares incorporated in the British Virgin Islands. Upton is 100% owned by Upton Investment Holdings Limited ("**UIHL**"), a private limited company incorporated in Jersey, Channel Islands. UIHL is 100% owned by Iron High Content Holdings Limited, a company incorporated in Jersey, which is in turn 100% owned by HSBC Trustee (C.I.) Limited in its capacity as trustee of the Iron High Content Trust ("**IHC Trust**"). The ultimate beneficial owner of this trust is Faiza Meyaser, a member of the Alireza family, which is associated with the Rezayat Group, a major diversified international enterprise based in Saudi Arabia. The IHC Trust was established to hold investment assets for the benefit of natural persons from the same family.

NCT Capital Limited, incorporated under the laws of British Virgin Islands, is an investment holding company owned by Johnny Kok Chung Chan and his wife, Yuda Udomitthiruj. Mr. Chan has 38 years of banking and investment experience and currently acts as the CIO for Cyberport Macro Fund as well as for Softech Investment Management Limited. Ms. Udomitthiruj is a Graduate of Georgetown University Law Centre and School of Foreign Service. She is a US qualified lawyer and a member of the New York State Bar Association.

Pacific Premier Trust (formerly known as PENSCO Trust Company) acts as the custodian for the Simplified Employee Pension IRA, or SEP IRA, accounts of Scott M. Probst and Gayle Probst, who are spouses and the ultimate beneficial owners of the shares held by Pacific Premier Trust. PENSCO Trust Company is a leading self-directed IRA custodian, helping individuals and institutions hold private equity, real estate, notes and alternative assets. Mr. Probst is a retired investment manager.

Circle C Enterprises, Inc. ("**Circle C**") is a California S Corporation and is 100% owned by William Lindsey Chillingworth and his wife, Sheri Lynn Chillingworth, each of whom owns 50%. The purpose of the corporation is for business investments and consulting practices, and is incorporated in the State of California, USA. William L. Chillingworth is CEO and Chief Financial Officer of Circle C, and Sheri L. Chillingworth is Corporate Secretary. William Chillingworth has sole signatory rights.

JAWS Equity Owner 102, LLC ("**Jaws 102**"), a Delaware limited liability company, with its principal place of business in the State of Florida, is part of the family office of Barry S. Sternlicht. Jaws 102 was created for investing in private growth companies and is indirectly majority owned and controlled by Mr. Barry Sternlicht. Matthew Walters, an employee of Mr. Sternlicht's family office, is a minority owner of Jaws 102.

## COMPLIANCE WITH INTERIM GUIDANCE

On the basis that (i) the consideration for the Pre-IPO Investments was settled more than 28 clear days before the date of our first submission of the listing application form, to the Listing Division of the Stock Exchange in relation to the Listing and (ii) the special rights granted to the Pre-IPO Investors will terminate upon the Listing, the Sole Sponsor has confirmed that the Pre-IPO Investments are in compliance with the Guidance Letter HKEx-GL29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

## CAPITALIZATION

The following table sets out our shareholding structure on the date of this document and immediately upon the completion of the Global Offering.

| Shareholders | Ordinary Shares | Class A Ordinary Shares | 2020 Senior Ordinary Shares | 2021 Senior Ordinary Shares | Aggregate number of shares of par value US$1.0 each as of the date of this document | Aggregate ownership percentage as of the date of this document | Aggregate ownership percentage upon the completion of the Global Offering[1] |
|---|---|---|---|---|---|---|---|
| ***Controlling Shareholder*** | | | | | | | |
| Good Taste Limited[2] | 4,011,511 | 39,083,390 | – | – | 43,094,901 | 37.28% | 33.95% |
| ***Pre-IPO Investors*** | | | | | | | |
| Domino's Pizza LLC[3] | | – | 16,794,177 | 1,306,842 | 18,101,019 | 15.66% | 14.26% |
| Nordant Industrial Corp. | 5,681,572 | – | – | – | 5,681,572 | 4.91% | 4.48% |
| D1 SPV Master Holdco I (Hong Kong) Limited | 5,247,513 | – | – | – | 5,247,513 | 4.54% | 4.13% |
| Alpha Wave Special Opportunities, LP | 2,801,686 | – | – | – | 2,801,686 | 2.42% | 2.21% |
| Moraine Master Fund LP | 2,639,297 | – | – | – | 2,639,297 | 2.28% | 2.08% |
| Alpha Wave Ventures II, LP | 2,522,006 | – | – | – | 2,522,006 | 2.18% | 1.99% |
| SMALLCAP World Fund, Inc. | 2,158,273 | – | – | – | 2,158,273 | 1.87% | 1.70% |
| Mr. Matthew James Pringle | 1,380,001 | – | – | – | 1,380,001 | 1.19% | 1.09% |
| Barth Family Trust | 1,057,382 | – | – | – | 1,057,382 | 0.91% | 0.83% |
| High Tide (Bermuda) Ltd. | 844,802 | – | – | – | 844,802 | 0.73% | 0.67% |
| Upton Corporation | 837,690 | – | – | – | 837,690 | 0.72% | 0.66% |
| NCT Capital Limited | 750,000 | – | – | – | 750,000 | 0.65% | 0.59% |
| Pensco Trust Company, LLC CUSTODIAN FBO Scott M. Probst, SEP IRA | 636,891 | – | – | – | 636,891 | 0.55% | 0.50% |
| Circle C Enterprises, Inc. | 621,400 | – | – | – | 621,400 | 0.54% | 0.49% |
| Jaws Equity Owner 102 LLC | 586,510 | – | – | – | 586,510 | 0.51% | 0.46% |
| Other Pre-IPO Investors[4] | 18,424,853 | – | – | – | 18,424,853 | 15.94% | 14.51% |
| ***Directors and senior management*** | | | | | | | |
| Mr. Frank Paul Krasovec[5] | 2,604,025 | – | – | – | 2,604,025 | 2.25% | 2.05% |
| FPK Dash, LLC[6] | 128,452 | – | – | – | 128,452 | 0.11% | 0.10% |
| Molybdenite Holding Limited[7] | 999,698 | – | – | – | 999,698 | 0.86% | 0.79% |
| Mr. Zohar Ziv[5] | 900,209 | – | – | – | 900,209 | 0.78% | 0.71% |
| Mr. David Brian Barr[5] | 545,509 | – | – | – | 545,509 | 0.47% | 0.43% |
| Mr. Matthew James Ridgwell[5] | 455,043 | – | – | – | 455,043 | 0.39% | 0.36% |
| Samuel Chun Kong Shih[5] | 44,872 | – | – | – | 44,872 | 0.04% | 0.04% |
| Lihong Wang[5] | 22,893 | – | – | – | 22,893 | 0.02% | 0.02% |
| Other senior management[8] | 755,448 | – | – | – | 755,448 | 0.65% | 0.60% |
| ***Others*** | | | | | | | |
| Other pre-IPO Shareholders[9] | 1,756,851 | – | – | – | 1,756,851 | 1.52% | 1.38% |
| Other public Shareholders | – | – | – | – | – | – | 8.94% |
| **Total** | **58,414,387** | **39,083,390** | **16,794,177** | **1,306,842** | **115,598,796** | **100%** | **100%** |

*Notes:*

(1) Based on a total of 126,948,796 Shares in issue immediately upon the completion of the Global Offering.

(2) Good Taste Limited, one of the Controlling Shareholders of our Company, is wholly-owned by Ocean Investments Limited, the entire interest of which is in turn wholly-owned and managed by a corporate trustee for the benefit of a discretionary (irrevocable) family trust in which, Mr. Marshall is the protector, a named person in its discretionary class of beneficiaries and one of the directors of the trustee. Mr. Marshall as the protector of the trust has various powers and rights pursuant to the terms of the relevant trust deed including, without limitation, the power to appoint or remove the trustee as well as the right to direct the trustee to exercise the voting or other rights attached to any securities of Ocean Investments Limited, the 100% parent of Good Taste Limited. Mr. Marshall is however not the settlor of the irrevocable trust, and the settlor of the trust does not have control over, or interests, in the assets of the trust. See "Relationship with the Controlling Shareholders" and "– Pre-IPO Investments – Information on the Pre-IPO Investors" for further information.

(3) Domino's Pizza LLC is wholly-owned by Domino's, Inc., which is in turn wholly-owned by Domino's Pizza, Inc. Domino's Pizza, Inc. is a Delaware corporation with its shares listed on the New York Stock Exchange (NYSE: DPZ). See "– Pre-IPO Investments – Information on the Pre-IPO Investors" for further information.

(4) Comprises a total of 145 shareholders each holding less than 0.5% of the total issued capital of our Company as of the date of this document, among which: (a) 4 shareholders each holds less than 0.5% but 0.4% or more of the total issued capital of our Company; (b) 6 shareholders each holds less than 0.4% but 0.3% or more of the total issued capital of our Company; (c) 13 shareholders each holds less than 0.3% but 0.2% or more of the total issued capital of our Company; (d) 33 shareholders each holds less than 0.2% but 0.1% or more of the total issued capital of our Company; and (e) 89 shareholders each holds less than 0.1% of the total issued capital of our Company.

(5) One of our Directors. See "Directors and senior management" for more details.

(6) FPK Dash, LLC, a company incorporated in Texas, the United States, is controlled by Mr. Frank Paul Krasovec, a non-executive Director and the chairman of our Company. See "Directors and senior management" for more details.

(7) Molybdenite Holding Limited, a company incorporated under the laws of British Virgin Islands, is majority-controlled by the family trust of Ms. Aileen Wang, of which Ms. Wang is the controller, through wholly owned companies of the trust; the remaining interest in Molybdenite Holding Limited is directly held by Ms. Wang. Ms. Wang is an executive Director and the chief executive officer of our Group. See "Directors and senior management" for more details.

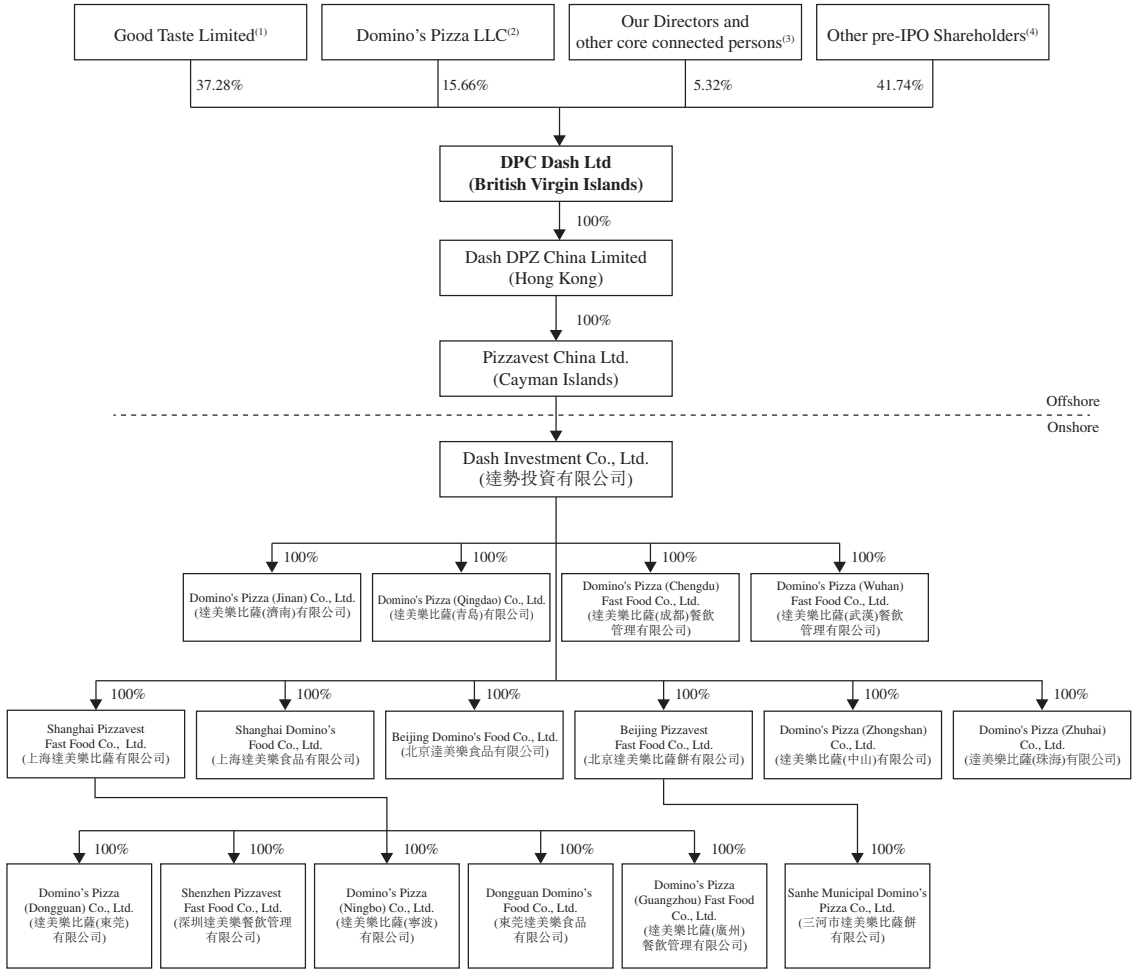
(8) Comprises Mr. Alex Zhong, Ms. Helen Wu, Mr. Michael Xu and Ms. Gening Wang, who hold their interest in our Company either directly or through their respective special purpose vehicles in the British Virgin Islands. See "Directors and senior management – Senior management" for more details.

(9) Represents pre-IPO shareholders other than the Controlling Shareholder, Pre-IPO Investors and directors and senior management, and comprises a total of 24 shareholders each holding less than 0.5% of the total issued capital of our Company as of the date of this document.

## CORPORATE STRUCTURE

### Corporate structure immediately prior to the Global Offering

The following chart depicts the shareholding and beneficial ownership structure of our Group immediately prior to the completion of the Global Offering, assuming no further Shares are issued under the Share Incentive Plans:




*Notes:*

(1) Good Taste Limited, one of the Controlling Shareholders of our Company, is wholly-owned by Ocean Investments Limited, the entire interest of which is in turn wholly-owned and managed by a corporate trustee for the benefit of a discretionary (irrevocable) family trust in which, Mr. Marshall is the protector, a named person in its discretionary class of beneficiaries and one of the directors of the trustee. Mr. Marshall as the protector of the trust has various powers and rights pursuant to the terms of the relevant trust deed including, without limitation, the power to appoint or remove the trustee as well as the right to direct the trustee to exercise the voting or other rights attached to any securities of Ocean Investments Limited, the 100% parent of Good Taste Limited. Mr. Marshall is however not the settlor of the irrevocable trust, and the settlor of the trust does not have control over, or interests, in the assets of the trust. See "Relationship with the Controlling Shareholders" and "– Pre-IPO Investments – Information on the Pre-IPO Investors" for further information.

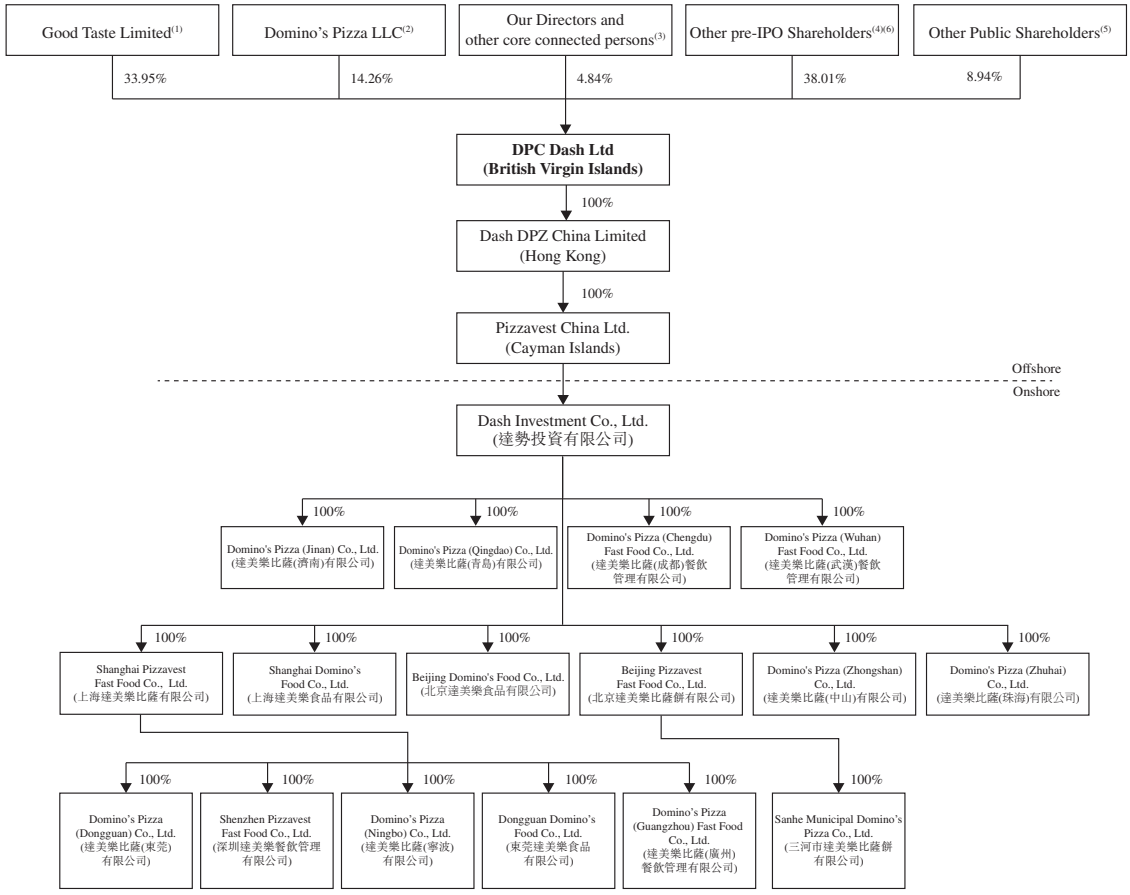
(2) Domino's Pizza LLC is wholly-owned by Domino's, Inc., which is in turn wholly-owned by Domino's Pizza, Inc. Domino's Pizza, Inc. is a Delaware corporation with its shares listed on the New York Stock Exchange (NYSE: DPZ). See "– Pre-IPO Investments – Information on the Pre-IPO Investors" for further information.

(3) Comprises (i) seven of our Directors, namely Ms. Aileen Wang, Mr. Frank Paul Krasovec, Mr. Matthew James Ridgwell, Mr. Zohar Ziv, Mr. David Brian Barr, Mr. Samuel Chun Kong Shih and Ms. Lihong Wang, (ii) three of our directors at subsidiary level, namely Ms. Li Huo, Ms. Li Yao and Ms. Ying Yu, and (iii) Ms. Laura Christine Tong, the spouse of Mr. Shih, our independent non-executive Director.

(4) Comprises 183 pre-IPO Shareholders. See "– Pre-IPO Investments" and "– Capitalization" for further information.

## Corporate structure immediately following the Global Offering

The following chart depicts the shareholding and beneficial ownership structure of our Group immediately following the completion of the Global Offering:




*Notes:*

*Notes (1) to (4):* see Notes (1) to (4) in preceding pages under "– Corporate structure immediately prior to the Global Offering".

(5) The expected public float immediately upon the completion of the Global Offering is approximately 46.95%.

## PRC LEGAL COMPLIANCE

Our PRC Legal Advisors confirmed that the establishment of our subsidiaries in China and their subsequent shareholding changes have complied with the relevant PRC laws and regulations in all material respects.

## SAFE REGISTRATION

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外融資及返程投資外匯管理有關問題的通知) (the "**SAFE Circular 37**"), promulgated by SAFE and which became effective on July 14, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**SAFE Circular 13**"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Advisor, four of our shareholders, namely Aileen Wang (王怡), Alex Zhong (鍾軍), Michael Xu (徐歆奕) and Gening Wang (王毓璟), each of whom are PRC residents, have completed the required registration under SAFE Circular 37 as of January 11, 2022.

## OVERVIEW

### Who we are

We are Domino's Pizza's exclusive master franchisee in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China. As of the Latest Practicable Date, we directly operated 569 stores across 14 cities in the China mainland.

Our global franchisor, Domino's Pizza, Inc., is the world's largest pizza company in terms of 2021 global retail sales, with more than 19,500 stores in over 90 markets around the world as of September 11, 2022. Over its 62-year history, Domino's has developed a differentiated business model focused on serving handcrafted, quality pizza at a competitive price, with easy ordering access and efficient delivery, enhanced by technology.

We have adapted and built upon the Domino's business model by localizing its key features for China and its consumers. Since 2018, when most of our current core executive management team joined our Company, we have been focused on expanding our store network. This has enabled us to become the fastest growing among China's top five pizza brands, as well as the third largest in terms of 2021 revenue, according to the Frost & Sullivan Report. Over the Track Record Period, the number of our stores increased by 170% to 508 stores as of June 30, 2022. Against the backdrop of this rapid growth, we incurred net losses during the Track Record Period. We may continue to incur net losses in the future, including during the next three to five years, and may not become profitable. We plan to continue our rapid growth while working towards long-term profitability, as we believe a broad, nationwide store network is key to our future success and competitiveness. In the long term, our goal is to become the number one pizza company in China, as other Domino's Pizza's franchisees have done throughout Asia, Europe and North America.

We have operated Domino's Pizza stores since December 2010, when we acquired Pizzavest China Ltd., which at that time was Domino's Pizza's master franchisee in Beijing, Tianjin, Shanghai, Jiangsu Province and Zhejiang Province. In June 2017, we renewed the Master Franchise Agreement with Domino's International, a subsidiary of Domino's Pizza, Inc., under which our franchise area was extended to the entire China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China, with an initial term of 10 years, which may be renewed at our option for two additional 10-year terms, subject to the fulfillment of certain conditions.

### Our market opportunity

The China pizza market is large, fast-growing and in an early stage of development. In 2021, its market size was RMB36.4 billion, which is expected to double and reach RMB68.9 billion by 2026, representing a CAGR of 13.6%, according to the Frost & Sullivan Report. Moreover, the China pizza market remains underserved compared to other East Asian markets, which have similar food cultures to China. For example, in 2021, there were only 10.9 pizza stores per million people in China, compared to 28.1 and 28.3 in Japan and South Korea, respectively, according to the Frost & Sullivan Report.

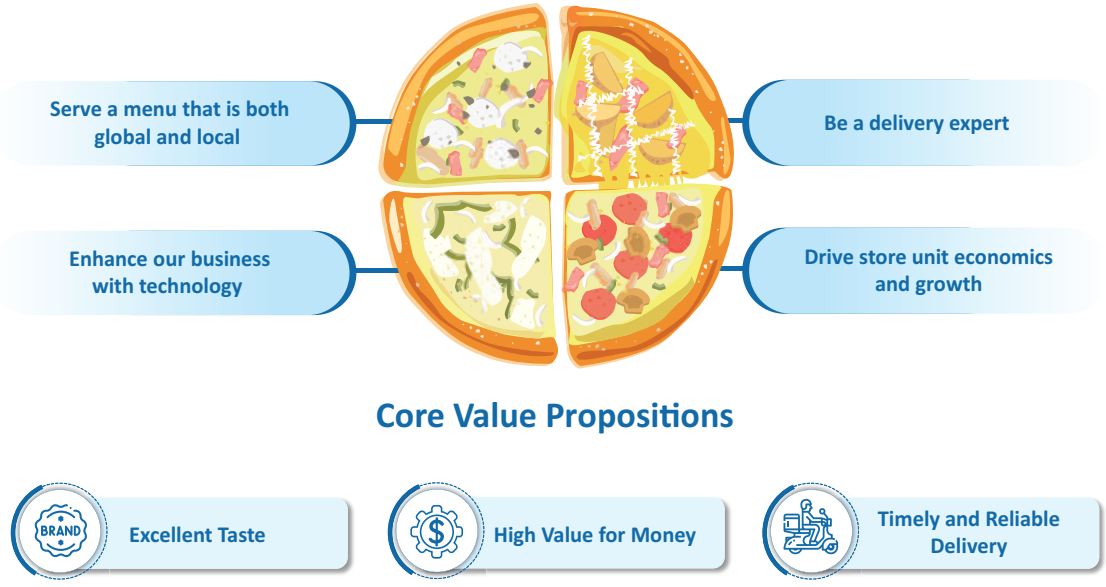
Within the China pizza market, the pizza delivery segment is expected to grow even faster than the overall China pizza market. In 2021, delivery sales amounted to RMB17.9 billion, accounting for 49.2% of the overall China pizza market. From 2021 to 2026, the pizza delivery segment is expected to grow at a CAGR of 19.9% and reach RMB44.3 billion, accounting for 64.3% of the overall China pizza market, according to the Frost & Sullivan Report.

The growth of the China pizza market, as well as the pizza delivery segment, will be driven by increasing disposable incomes and urbanization in China, the growing popularity of pizza among Chinese consumers, and the increased popularity of food delivery services, according to the Frost & Sullivan Report.

We believe that the China pizza market offers a significant market opportunity with significant whitespace for our continued and rapid growth. Additionally, by leveraging our business model, which has enabled us to double our market share from 2017 to 2021, we believe that we will continue to capture a growing share of the China pizza market in the future.

**Our business model**

We are focused on being a pizza expert. By combining the globally recognized Domino's playbook with our knowledge of China, we have developed a unique business model that is purpose-built for serving Chinese consumers delicious, value for money pizza through online channels, with an emphasis on delivery, enhanced by technology. We believe this model is one that sets us apart from our competitors in China, one that has its own Chinese flavors, and one that we believe will ultimately lead us to become China's leading pizza company. The graphic below illustrates the key features and the core values of our unique business model.



The key components of our business model are:

- *Serve a menu that is both global and local*. Our menu infuses the classic, globally-renowned taste of Domino's Pizza with local flavors. It includes classic western favorites, such as pepperoni pizza, as well as offerings designed for Chinese palates, such as our teriyaki beef and potato pizza (照燒風味牛肉土豆比薩). We strategically launch new and creative products to satisfy the evolving preferences of Chinese consumers. Our menu is supported by our supply chain management, logistics management and quality assurance systems, which ensure a high and consistent level of food safety and quality.

- *Be a delivery expert.* We are relentlessly focused on our customers with a differentiated delivery experience. To that end, we offer customers a 30-minute delivery promise, which we stand behind by gifting them coupons if we do not fulfill their delivery order within 30 minutes from the time they place their order. We also use a fleet of dedicated delivery riders, which we believe enables us to deliver higher-quality food in a more timely and reliable manner than our competitors. We are the only pizza company in China to have a 30-minute delivery promise serving customers across all sales channels, according to the Frost & Sullivan Report.

- *Enhance our business with technology.* Technology enhances our end-to-end operations, and we enjoy market-leading online order contribution, with approximately 95% of our delivery, carryout and dine-in orders in 2021 and the first half of 2022 placed online, higher than the industry average of less than 70%, according to the Frost & Sullivan Report. To attract customers, we use intelligent marketing strategies powered by data insights. We make order placement easy for customers through our intuitive online channels. Our proprietary customer data platform enables us to understand and serve our customers' specific needs, helping us attract more repeat customers. These customer-facing technologies are complemented by our delivery and supply chain management technologies, which help enhance our operations by helping to ensure the quality and safety of our ingredients, as well as the timeliness and reliability of our deliveries.

- *Drive store unit economics and growth.* In 2021 and the six months ended June 30, 2022, our store-level operating profit was RMB143.9 million and RMB83.3 million, respectively. Our store economic model has provided the foundation for our fast-growing store network and improving profitability in the Track Record Period, and we believe it will enable our continued expansion throughout China.

**Our operating and financial results**

We have leveraged our unique, focused business model to deliver a track record of rapid growth and improving profitability during the Track Record Period, as evidenced by the following metrics:

- *Revenues.* Our revenues increased by 32.0% from RMB836.6 million in 2019 to RMB1,104.1 million in 2020, and further increased by 45.9% to RMB1,611.3 million in 2021. Our revenues increased by 18.6% from RMB766.6 million for the six months ended June 30, 2021 to RMB908.8 million for the six months ended June 30, 2022.

- *Number of stores.* Over the course of the Track Record Period, the number of stores in our network, all of which were directly operated by us, grew from 188 stores as of January 1, 2019 to 508 stores as of June 30, 2022, representing an increase of 170%.

- *Same-store sales growth.* We recorded SSSG of 7.3%, 9.0%, 18.7% and 13.9% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We recorded positive SSSG during every quarter in the Track Record Period.

- *Store-level economics.* We recorded store-level operating profit margin of 4.1%, 3.4%, 8.9% and 9.2% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

- *Group-level profitability.* During the Track Record Period, amidst the rapid expansion of our store network, we recorded net losses of RMB181.6 million, RMB274.1 million, RMB471.1 million and RMB95.5 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We recorded adjusted net losses (non-IFRS measure) of RMB168.2 million, RMB199.8 million, RMB143.3 million and RMB68.9 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, while our adjusted EBITDA (non-IFRS measure) improved from losses of RMB33.2 million and RMB17.6 million for 2019 and 2020, respectively, to earnings of RMB62.7 million and RMB55.6 million in 2021 and the six months ended June 30, 2022, respectively.

Over the past few years, in conjunction with our pursuit of long-term development and growth, we have devoted considerable resources to research potential new markets, open more stores and central kitchens, market and promote our brand, invest and train our store-level staff in preparation for the opening and operations of more new stores, broaden our service offerings and invest in technology, which has led to us recording net losses during the Track Record Period. There is no guarantee that we can effectively control our costs and expenses and achieve or maintain profitability in the future.

## OUR COMPETITIVE STRENGTHS

The following strengths have enabled us to become who we are today and will support our continued success:

### Our leading global brand

Domino's Pizza is one of the most widely-recognized global consumer brands and Domino's Pizza, Inc., our global franchisor, is the world's largest pizza company in terms of 2021 global retail sales. Globally, the Dominos' Pizza brand is synonymous with better-quality pizza, timely and reliable delivery and an easy-to-use online ordering experience accessible through multiple customer touchpoints. Domino's Pizza's international franchisees have leveraged the Domino's Pizza brand and business model to become market leaders and publicly-listed companies around the world, such as Domino's Pizza Enterprises Limited (ASX: DMP) in Australia, Japan, and other markets, Jubilant Foodworks Limited (NS: JUBLFOOD) in India, and Domino's Pizza Group plc (LSE: DOM) in the United Kingdom.

In China, we have been rapidly building the Domino's Pizza brand by combining the key strengths of the globally recognized Domino's model with features localized for China. This has enabled us to become the fastest growing among China's top five pizza brands, as well as the third largest in terms of 2021 revenue, according to the Frost & Sullivan Report. In Beijing and Shanghai, where we are well-established, we rank second in 2021 revenue, according to the Frost & Sullivan Report, and enjoy strong brand awareness. Beyond Beijing and Shanghai, commensurate with the rapid expansion of our Domino's store network, we enjoy rapidly-growing brand awareness.

We have been recognized as a top-performing Domino's franchisee. We won the Gold Franny four years in a row, having won it from 2018 to 2021. The Gold Franny is awarded by Domino's Pizza, Inc. to its U.S. and international franchisees for exceptional operating results, store development and growth. In 2019, we were also awarded the President's Award (Large Market), a one-off award given by Domino's Pizza, Inc. to the single top-performing Gold Franny winner, selected among Gold Franny winners with more than 200 directly operated stores. In 2021, we won the Cornerstone Award, awarded by Dominos' Pizza, Inc. to franchisees that demonstrate exceptional net new store growth. As a leading Domino's franchisee, we believe we are well-positioned to further grow the Domino's brand in China, just as many of our peer franchisees have done in other international markets around the world.

**A pizza-focused menu that is continually being developed and localized**

We are focused on being a pizza expert. Our menu infuses the globally-recognized taste of Domino's Pizza with local flavors. We have designed our menu to differentiate ourselves from our competitors in the following ways:

- *Taste and quality*. Our products are well received by consumers. We attribute this to our high-quality ingredients and specialized preparation processes. For example, our dough is made in our central kitchens and delivered fresh to our stores, where it is hand-tossed to order. This enables us to ensure a high, consistent level of quality and results in a better-tasting pizza, especially compared to our competitors that use frozen dough.

- *Variety*. We offer the widest range of pizza crusts and toppings in the market as of December 31, 2021, according to the Frost & Sullivan Report. Our pizzas are complemented by an expansive selection of pasta and rice, sides, desserts, drinks and soups, which enable customers to round out and upsize their meals.

- *Continual menu development and localization*. We strategically design, test and launch new products to serve the evolving tastes of Chinese consumers. Since 2018, we have launched over 120 new menu items, such as our salted egg chicken pizza (金沙咸蛋黃嫩雞比薩), which has since been highly received by customers.

- *Value for money*. Our menu contains multiple price levels, ranging from entry-level to indulgent, enabling consumers to find value for money throughout our menu. We also offer attractive combo meals and time-limited promotions as well as special offers for loyalty program members.

The above differentiating features are made possible by our vertically-integrated supply chain, which is designed to ensure that we serve high-quality, safe and fresh food to our customers while maintaining high operating efficiency. At the start of the chain, we source high-quality ingredients from closely-vetted suppliers in China and around the world. In the middle of the chain, our central kitchens prepare our dough and other ingredients to consistently create the excellent taste and quality that customers associate with our brand. At the end of the chain, we hold our stores to global health and safety standards and rely on dedicated riders to make sure our food reaches customers in a timely, safe and reliable manner.

**Our unique expertise and leadership in delivery**

Delivery has been in the DNA of the global Domino's Pizza brand since 1960. It has also consistently been our focus in China, and we intend to remain focused on delivery in the future. We enjoy one of the highest delivery sales contributions in the industry – over 73% and 71% of our revenue in each of 2021 and the first half of 2022 was generated by delivery orders, significantly higher than the industry average of approximately 49%, according to the Frost & Sullivan Report. This makes us well-positioned to grow alongside China's pizza delivery segment, which is expected to grow faster than the overall China pizza market and account for 64.3% of all pizza sales in China by 2026.

Like other Domino's franchisees around the world, our business model is designed to provide quality delivery services. The key aspects of our business model that enable a differentiated delivery experience are:

- *Delivery-focused store location and design*. We have optimized the locations and design of our stores for delivery . We strategically plan our store network so that our stores' delivery areas cover high-density residential and commercial zones. We also optimize the delivery radius of our stores with the ultimate goal of ensuring that customers receive their delivery orders within 30 minutes of order placement. Within our stores, our streamlined kitchen design and food preparation procedures are designed to maximize the efficiency with which we prepare orders while ensuring high quality and food safety. We also enable riders to seamlessly pick up delivery orders through specialized in-store order collection zones. Our focus on delivery optimization at the store level enables us to handle a high volume of delivery orders with speed and reliability.

- *Smart order dispatch and delivery*. We deploy a smart order dispatch system that efficiently matches orders with riders based on the status of orders at the store and the location of riders who are on their way back to the store, with the goal of ensuring that riders can pick up orders as soon as they are ready. The system also identifies optimal routes for delivery, including by aggregating multiple delivery orders in a single trip without comprising our delivery service quality. This system helps us manage our riders efficiently and meet our 30-minute delivery promise.

- *Our fleet of dedicated riders*. We rely on dedicated riders to fulfil our delivery orders, including both those placed on our own online channels and third-party channels. All of our riders are dedicated riders, meaning that during their shifts, they are stationed at our stores and only deliver orders from our stores. This allows us to retain control over the end-to-end delivery experience, enabling us to deliver quality food that is more likely to be hot and fresh, in a timely and reliable way. Moreover, as our orders do not mingle with orders from other restaurants, we are able to limit cross-contamination and ensure the safety of our food.

- *Our 30-minute delivery promise*. We care deeply about the experience of our customers and are committed to maintaining the best delivery service standards in the market. We provide our customers a differentiated delivery experience by promising to deliver their pizza within 30 minutes. We stand behind this promise by gifting customers coupons if we do not fulfil our promise. We are the only pizza company in China to offer a 30-minute delivery promise across all sales channels, according to the Frost & Sullivan Report. During the Track Record Period, we fulfilled our delivery promise for approximately 90% of our delivery orders, with an average order fulfillment time of approximately 23 minutes.

**Our technology, which enables a differentiated end-to-end customer experience**

Technology enhances every aspect of our business, enabling us to provide a differentiated end-to-end customer experience. Our focus on technology allowed us to enjoy one of the highest online order contributions in the industry, with approximately 95% of our delivery, carryout and dine-in orders in 2021 and the first half of 2022 generated through online channels, which is significantly higher than the industry average of less than 70%, according to the Frost & Sullivan Report.

We seek to attract new customers through data-powered, online marketing and promotion activities that are fun and engaging. Our official Weixin and Weibo accounts enable us to share new menu items and promotional events with a wide audience. We also deploy engaging and entertaining content, such as minigames that customers can play to unlock rewards. For example, in July 2021, in tandem with the Tokyo 2021 Olympics, we launched a minigame on our Weixin official account whereby customers could compete in sporting events as a Domino's rider and win free pizzas as rewards, which was played by over 1.3 million customers.

Customers can easily place orders with us. Our online presence enables us to have multiple customer touchpoints, making it convenient for customers to access our offerings while increasing our customer reach and potential sales volume. Through our online presence, customers can place delivery, carryout and dine-in orders through our own online channels, which comprise our proprietary app and website, Weixin mini program and official Weixin account. Besides our own online channels, customers can also place delivery orders with us through third-party channels, Ele.me and Meituan, which provide a convenient avenue for new customers to become familiar with our offerings.

Our own online channels offer customers intuitive, image-rich and informative user interfaces and exclusive access to our loyalty program, through which they can earn and use rewards. A key feature of our online ordering platform is our real-time, transparent order tracker. Not only do we provide customers with GPS tracking for orders that have left the store, but we also enable customers to track the status of their orders from preparation in the kitchen, to the time it is in the oven, to the time it is picked up by a rider and ultimately to the time it arrives at their doors. This differentiates us from our competitors, most of whom offer only

GPS tracking after the order has left the store but offer no visibility into in-kitchen status. Our pizza tracker provides accountability and transparency to our customers, enabling them to see that their orders are being freshly made and timely passed onto riders, which we believe enhances customer satisfaction.

In 2019, we generated approximately one-third of our revenue from our own online channels, which increased to approximately one-half in each of 2021 and the first half of 2022. We attribute this trend to the strength of our online channels, which we believe offer a more seamless, engaging and intuitive customer experience, as well as to the attractiveness of our loyalty program, which is exclusively accessed through our online channels.

Technology also powers our customer engagement retention efforts. Our data analytics and customer data platform ("**CDP**") provides us with robust insights about our customers' preferences, which we leverage to deliver promotions tailored for our customers. Our CDP helps generates data insights that help our loyalty program, through which we engage a vast base of customers, with 2.4 million, 4.0 million and 6.1 million total loyalty program members as of December 31, 2019, 2020 and 2021, respectively, representing a CAGR of 60.0% from 2019 to 2021, which further increased to 7.0 million loyalty program members as of June 30, 2022. The number of our active loyalty program members has increased commensurately, and we had 1.4 million, 2.1 million, 3.0 million and 3.2 million active loyalty program members as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

In addition to technologies that directly enable us to better engage our customers, we also use technology to optimize our operations, which allow us to deliver high quality pizza to our customers in a timely and reliable way. These technologies empower every part of our value chain, from procurement, food processing, delivery to in-store operations. For example, our enterprise resource management system integrates our stores and central kitchens, ensuring that our stores are stocked with fresh food ingredients. At the store level, we also deploy e-scheduling and e-learning systems that help us intelligently hire and train our workers, as well as ensure we have adequate staffing at our stores.

**Our store economic model's success and replicability**

Our store economic model is highly scalable and replicable. On the front end, our stores are focused on serving delivery customers through online channels. This results in highly-flexible store locations that make it easier to open new stores with compact store sizes, lowering rental and renovation costs. Our focus also results in the ability to serve customers beyond the four walls of each store, which increases the potential of our sales. On the back end, our stores are supported by our central kitchens and supply chain, which minimizes the equipment requirements of each store, lowering initial investment costs. Taken together, our stores enjoy competitive rental and initial investment costs and a strong foundation for achieving profitability and cash investment payback.

Our store economic model has a track record of success. We have recorded positive SSSG for every quarter during the Track Record Period, despite the impact of the COVID-19 pandemic, thanks to the strength of our delivery and carryout offerings. The operations of the same stores have helped improve our profitability at the group level, with our adjusted EBITDA (non-IFRS measure) becoming positive in 2021, reaching earnings of RMB62.7 million and RMB55.6 million, representing an adjusted EBITDA margin (non-IFRS measure) of 3.9% and 6.1%, in 2021 and the six months ended June 30, 2022, respectively. We believe that our store economic model enables us to deepen our penetration in existing cities and expand to new cities in a cost-effective manner.

We believe our store economic model is highly replicable. In Beijing and Shanghai, where we have a longer operating history, higher store density and stronger brand awareness, our adjusted EBITDA (non-IFRS measure) was higher than our group average. In our other markets, we are focused on opening new stores while improving profitability. Many of such markets, such as Hangzhou and Wuxi, are approaching Beijing and Shanghai in terms of profitability. We believe that there is significant whitespace for our store-level profitability to improve in the future as stores in our new markets continue to ramp up and the proportion of relatively mature stores increases.

Moreover, we expect that as our scale grows, we will be able to leverage greater economies of scale to drive operational efficiencies. Additionally, we will leverage our increasing scale to improve our bargaining power vis-à-vis landlords and suppliers, which will help us lower our operating costs and expenses as a percentage of our total revenues. As our sales continue to grow in tandem with the expansion of our store network, driving significant operating leverage, we believe there are long-term opportunities to enhance our store economics and drive our profitability.

**Our close relationship with the global Domino's system**

We enjoy a strong relationship with our global franchisor, Domino's Pizza, Inc. (NYSE: DPZ), as well as other international Domino's Pizza franchisees. As a member of the global Domino's Pizza family, we have access to cutting-edge operational, technological and product insights, which allows us to enjoy distinct competitive advantages. These advantages include:

- *Our brand*. Domino's Pizza is a leading global consumer brand and Domino's Pizza, Inc., our global franchisor, is the world's largest pizza company in terms of 2021 global retail sales, with more than 19,500 stores in over 90 markets around the world as of September 11, 2022. The worldwide ubiquity of the Domino's Pizza brand helps us grow our brand awareness in China.

- *Our business model*. We have adapted the globally-recognized Domino's Pizza business model for China, which has provided a foundation that enables us to serve Chinese consumers delicious, value for money pizza through timely and reliable delivery. We also continue to learn best practices from other international Domino's Pizza franchisees, such as those in India, Japan and Australia, in order to improve our competitiveness and accelerate our growth.

- *Our menu*. Our access to the Domino's Pizza global menu bank enables us to identify successful menu items that we can adapt for the Chinese market. For example, one of our bestselling pizzas, the potato bacon pizza (美國風情土豆培根比薩), was inspired by Domino's Pizza in South Korea.

- *Our technology*. In addition to our independent and proprietary investment into research and development, we leverage the technological knowhow of the global Domino's system to identify technologies that may be deployed in China. For example, we developed our order tracker by leveraging insights from the global Domino's Pizza system.

We have a strong and collaborative relationship with Domino's Pizza, Inc., our global franchisor. In 2020 and 2021, Domino's Pizza, Inc. made equity investments in us for an aggregate amount of US$89.1 million. We believe that our strong relationship with Domino's Pizza, Inc. will continue to be an important competitive strength as we grow.

**Our seasoned and visionary management team with strong execution capabilities**

We are led by a team of seasoned industry veterans with an average of over 12 years of experience in the restaurant, financial and technology sectors and strong execution capabilities. Our core management team combines deep, localized knowledge of the Chinese restaurant market with extensive experience working for international, market-leading restaurant brands in China. Under their leadership, we have applied global best practices to our business in China across the whole spectrum of our operations.

The majority of our current core executive management team, including our CEO, joined us between 2017 and 2018. This core executive management team is highly cohesive and stable, having remained together over the past four years. Under the leadership of our CEO, our core executive management team has led the rapid expansion of our store network – since the beginning of 2018, the number of our stores has tripled, and SSSG has been positive in every quarter. In addition to rapid growth, our core management team has also improved our profitability – although we recorded net losses in the Track Record Period, our Adjusted EBITDA (non-IFRS measure) consistently improved over the same period, turning positive in 2021 and remaining positive in the six months ended June 30, 2022.

## OUR GROWTH STRATEGIES

Our vision is to become China's number one pizza brand. Our mission is to operate a nationwide Domino's Pizza store network, powered by technology and excellence in delivery, that offers Chinese consumers great taste, timely and reliable delivery and high value for money. To execute on our mission and realize our vision, we intend to pursue the following strategies:

### Rapidly increase the number of our stores

We believe that there are a vast number of locations in China where we can successfully open new stores. There is significant whitespace in the China pizza market, which remains underpenetrated compared to countries with similar food cultures. For example, in 2021, there were only 10.9 pizza stores per million people in China, as compared to 28.1 and 28.3 in Japan and South Korea, respectively, according to the Frost & Sullivan Report.

To capture this significant market opportunity, we have adopted a plan to open approximately 120 and 180 new stores in 2022 and 2023, adding to the 468 stores we directly operated as of December 31, 2021. In the six months ended June 30, 2022, we opened 40 stores (net of closures), bringing the total number of our stores to 508 as of June 30, 2022. We will both deepen our penetration in our existing markets and expand our presence to new markets. We will first focus on opening stores in China's Tier 1, New Tier 1 and Tier 2 cities, which have significant whitespace for growth, according to the Frost and Sullivan Report. Growing our store density will enable us to further strengthen our brand awareness, increase the penetration of our delivery and carryout services, and drive our sales growth potential.

In Beijing and Shanghai, where we have relatively strong brand awareness and store density, we are focused on increasing our penetration, particularly with respect to delivery and carryout. To that end, we will not just grow the absolute number of stores, but also develop new store formats, such as stores that only offer carryout and delivery services. We envision that these new store formats will be smaller and have more flexible locations than stores that also cater to dine-in customers, resulting in reduced rental, renovation and operating costs. This will enable us to open more stores, resulting in increased store density that will increase our marketing dollars, grow our brand awareness and make delivery and carryout even more convenient for our customers, which will ultimately drive our sales volume and profitability.

In our new growth markets, to which we have recently expanded and where we are focused on scaling our brand and store network, we are focused on adding more stores to serve more customers. We will continue to vigorously search for and evaluate new store locations that are suitable for our delivery-focused business model. At the same time, we will leverage the brand awareness that we have built up in those cities to accelerate our growth.

We also believe that we can successfully enter a large number of New Tier 1 and Tier 2 cities in which we currently do not have a presence. The pizza market in China's New Tier 1 and Tier 2 cities is expected to grow at a CAGR of 13.6% and 14.9% from 2021 to 2026, respectively, outpacing the growth of China's Tier 1 cities in the same period, according to the Frost & Sullivan Report. We will carefully assess the market potential of New Tier 1 and Tier 2 cities to identify new cities for expansion, including cities near our existing markets that can benefit from brand halo effects. From an operational perspective, many of China's cities are already covered by our existing central kitchens, which cover Northern, Eastern and Southern China. We believe we can economically increase the capacity of our existing central kitchens or build more central kitchens to support our growth in the future.

**Promote our brand and strengthen customer loyalty**

We will continue to grow the global Domino's Pizza brand in China, with the goal of becoming the go-to brand for consumers seeking a better-quality pizza delivered at a competitive price. We believe that strengthening our brand will allow us to further consolidate our market share in the China pizza market.

We are pursuing the following strategies to promote our brand:

- *Organically grow our brand through rapid store expansion.* We expect that the strength of our brand will grow organically in tandem with the expansion of our store network. As we deepen our penetration in existing cities and expand to new cities, we will broaden our customer base. Coupled with the inherent strengths of our global brand, pizza, delivery service and competitive pricing, we believe this will organically strengthen our brand awareness.

- *Expand our online and offline presence.* As our store network grows and our sales volume increases, we will be able to increase our marketing and promotion spending in absolute terms. This will enable us to broaden our presence on both online and offline channels. Although we currently have a strong social media presence on Weixin and Weibo, we plan to expand to Douyin, Xiaohongshu and other social media networks where we will be able to engage our customers through fun and creative content formats such as short-form videos, to further diversify our existing engagement formats, such as our minigames. Offline, we are exploring partnership opportunities that generate customer engagement, such as working with banks to offer special promotions at Domino's Pizza stores.

- *Build a community of Domino's loyalty program members.* From 2019 to 2021, the number of our total loyalty members grew at a CAGR of 60.0%, increasing from 2.4 million in 2019 to 6.1 million in 2021, before further increasing to 7.0 million as of June 30, 2022. The number of our active loyalty program members has increased commensurately, and we had 1.4 million, 2.1 million, 3.0 million and 3.2 million active loyalty program members as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. We hope to continue increasing the number of our loyalty members. Our loyalty program has helped increase order frequency and enhance customer loyalty. Through our referral rewards, our loyalty program also provides an avenue for word-of-mouth marketing. We will leverage technology to make it easier for customers to join our loyalty program and enhance the attractiveness of

our loyalty program by enhancing our capability to offer promotions and rewards that are tailored to a consumer's individual preferences. We expect that these initiatives will (i) encourage more customers to join our loyalty program, thereby increasing our customer insights and word-of-mouth marketing potential, and (ii) increase the number of our repeat members, which will drive our sales volume.

**Further enhance our technology**

We have developed proprietary digitalization and data tools to enhance the experience of our customers and optimize our operations. We believe these tools give us a unique competitive edge, and we remain focused on increasing our technological leadership.

We will enhance our ability to use technology to optimize the customer experience. To that end, we will hone our ability to use data to understand and engage with our customers. At present, our custom-built CDP generates data-driven insights about consumer trends, as well as the preferences of our customers. We intend to refine our CDP to understand customer preferences with even more granularity and accuracy, allowing us to fine-tune our media reach, optimize our conversion funnel and offer customized promotions and discounts through our loyalty program. We believe a deeper understanding of our customers' preferences and market trends will drive our ability to effectively engage with customers, make our marketing more efficient, enlarge our customer base, increase the frequency of orders and repeat orders, and ultimately generate more sales. In addition to our CDP, we will further strengthen our online channels to provide customers with an even more seamless and easy-to-use online ordering experience.

We will also continue to invest in our data infrastructure capabilities. We currently deploy a diverse set of technological systems to manage our supply chain, logistics and delivery functions, including our enterprise resource management, smart delivery and dispatch, and in-store operations management systems. We intend to build a unified data warehousing platform to centralize the data generated by these different systems. This will allow us to leverage knowledge across different business functions, generating data insights that we can use to further optimize our sales and marketing strategies, as well as our operational efficiency.

**Strengthen our pizza-focused, value for money menu**

We pride ourselves on our global and local menu which combines the global Domino's Pizza taste with ingredients and flavors tailored for Chinese palates. We will continue to leverage our understanding of Chinese consumers with our menu development capabilities to continue launching localized items that are tailored for China.

In particular, we intend to strengthen our leadership in pizza. To that end, we plan to strategically launch more novel and localized pizzas and crusts in anticipation of Chinese consumers' ever-changing tastes. At the same time, we will continue to refine our menu to execute on our add-on and trade-up strategies by continuing to develop and launch side items that complement our pizza offerings, which will enable our customers to upsize their orders and complete their meals.

We intend to optimize our pricing and deliver even more value for money, which will help us attract more consumers. In particular, as our store network, brand awareness and sales increase, our economies of scale will increase commensurately. We also expect to have more bargaining power vis-à-vis suppliers and landlords. Coupled with our continued focus on realizing operational efficiencies through technology, we believe that there is room to realize cost efficiencies that we can pass on to consumers.

**Enhance our delivery leadership**

We have a relentless focus on reducing our average delivery time while increasing the number of deliveries we make under 30 minutes. This focus applies to every element of our delivery process, starting from store design, to in-kitchen food preparation, to rider pickup and delivery. We believe there is room to further optimize each of these stages of the delivery process and increase the speed and reliability of our deliveries. We will continue to invest in our fleet of dedicated riders, refine our smart delivery and dispatch systems, and explore new methods of delivery.

We also plan to leverage the technological knowhow of the global Domino's Pizza system and adapt global innovations for the China pizza market. For example, Domino's Pizza, Inc. and other Domino's Pizza franchisees have been exploring automated delivery by using drones, robots and driverless delivery cars to complete deliveries. We continue to stay abreast of these and other innovations and will seek to deploy them, to the extent viable, to the China pizza market.

## OUR DOMINO'S PIZZA STORES

We operate an extensive and rapidly-growing network of Domino's Pizza stores that are optimized for serving our customers through online channels via delivery and carryout services. Our store economic model has enabled us to rapidly grow our store network while improving our profitability, and we believe we can replicate the model in new markets across China.

We operate our stores pursuant to a Master Franchise Agreement with Domino's Pizza International Franchising, a subsidiary of Domino's Pizza, Inc. Pursuant to this Master Franchise Agreement, we have the exclusive right to set up and operate Domino's Pizza stores, as well as to use and license the Domino's Pizza and associated trademarks in the operation of pizza stores in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China. For more information about our Master

Franchise Agreement, please see "– Master Franchise Arrangements", "– Intellectual property", "History, reorganization and corporate structure – Master Franchise Agreement" and "Connected transactions – Master Franchise Arrangements".

**Our Domino's Pizza store network**

***Our scale and reach***

We directly operated 569 Domino's Pizza stores in 14 cities in China as of the Latest Practicable Date. As of the same date, approximately 53% of our stores were located in Beijing and Shanghai, where the Domino's Pizza brand has been operating for approximately 25 and 15 years, respectively and enjoy strong brand awareness. The remainder of our stores are located across China's Tier 1, New Tier 1 and Tier 2 cities. We collectively refer to our markets other than Beijing and Shanghai as our "new growth markets". We believe that our successful growth in Beijing and Shanghai, which are among the most competitive cities for companies in the catering industry, is a testament to our ability to succeed in our new growth markets. The following table shows the number of our stores by city as of the dates indicated:

| | As of December 31, | | | As of June 30, | As of the Latest Practicable Date |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | |
| Beijing | 81 | 100 | 124 | 136 | 148 |
| Shanghai | 99 | 121 | 143 | 147 | 155 |
| Shenzhen | 24 | 44 | 64 | 67 | 69 |
| Guangzhou | 7 | 21 | 41 | 44 | 49 |
| Tianjin | 17 | 25 | 35 | 39 | 44 |
| Hangzhou | 17 | 22 | 26 | 29 | 33 |
| Nanjing | 14 | 18 | 18 | 23 | 31 |
| Suzhou | 8 | 9 | 9 | 10 | 14 |
| Wuxi | 1 | 3 | 7 | 7 | 8 |
| Ningbo | – | – | 1 | 2 | 4 |
| Foshan | – | – | – | 3 | 6 |
| Dongguan | – | – | – | 1 | 6 |
| Zhuhai | – | – | – | – | 1 |
| Zhongshan | – | – | – | – | 1 |
| **Total** | **268** | **363** | **468** | **508** | **569** |

***Growth of our store network***

*Historical store movement*

The following table sets forth the movement of our stores during the Track Record Period and up to the Latest Practicable Date:

| | Year ended December 31, | | | For the six months ended June 30, | For the period from June 30, 2022 to the Latest Practicable Date |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | |
| Number of stores at the beginning of the period | 188 | 268 | 363 | 468 | 508 |
| Number of new stores opened during the period | 83 | 98 | 108 | 46 | 65 |
| Number of stores closed[(1)] during the period | 3 | 3 | 3 | 6 | 4 |
| Number of stores at the end of the period | 268 | 363 | 468 | 508 | 569 |

*Note:*

(1) Refers to the total number of permanent store closures, which we define as the number of stores that closed and were not subsequently reopened within six months of closing in either the same location or a nearby location serving the same 30-minute delivery radius. Of the 15 stores that we closed during the Track Record Period, three were closed for strategic and commercial reasons, while 12 were closed because we chose not to renew our leases. The 12 stores that were closed because we chose not to renew our leases were ultimately relocated to nearby locations serving the same 30-minute delivery radius (in each case more than six months after the initial closure).

Since our current core executive management team joined us in 2017, the number of stores in our store network has grown rapidly. The total number of our stores increased from 188 at the beginning of the Track Record Period to 468 as of December 31, 2021, representing a three-year CAGR of 35.5%, before further increasing to 508 as of June 30, 2022. We attribute this rapid growth to our commitment to rapidly growing our store network, supported by our efficient store economic model as we deepen our penetration in our existing markets and expand to new markets.

*Our store expansion plan*

We believe that there are a vast number of locations in China where we can successfully open new stores. We plan to continue to grow our presence in China by expanding our geographic coverage and deepening our market penetration. We have adopted a plan to open approximately 120 and 180 new stores in 2022 and 2023, adding to the 468 stores we had as of December 31, 2021. In the six months ended June 30, 2022, we opened 40 stores (net of closures), bringing the total number of our stores to 508 as of June 30, 2022. Given the vast number of potential store locations in China, we expect we will open between approximately 200 and 300 new stores in each of 2024, 2025 and 2026.

In terms of geographic location, we will both deepen our penetration in existing markets and expand our presence to new markets. We will focus on opening stores in China's Tier 1, New Tier 1 and Tier 2 cities, which have significant whitespace for growth, according to the Frost and Sullivan Report. Growing our store density will enable us to further strengthen our brand awareness, increase the penetration of our delivery and carryout services, and drive our sales growth potential. We expect that 46%, 39% and 14% of the 300 stores that we have opened and plan to open in 2022 and 2023 will be located in China's Tier 1, New Tier 1 and Tier 2 cities, respectively.

We expect that the continued expansion of our store network will be supported by strong market demand. The China pizza market is expected to grow rapidly, and the China pizza delivery market is expected to grow even more quickly. Moreover, there is significant untapped potential in China's Tier 1, New Tier 1 and Tier 2 cities, whose pizza markets are expected to grow at CAGRs of 9.5%, 13.6% and 14.9% from 2021 to 2026, respectively. Moreover, the penetration rate of our services experienced sustained growth from 2019 to 2021, increasing from 0.2 pizza stores per million people to 0.3 pizza stores per million people in China during the period. We therefore believe there is sufficient whitespace to support the increase in the number of our stores contemplated by our store expansion plan.

As part of each our store expansion strategy, we periodically assess the feasibility of potential store locations. We consider several factors when deciding whether to expand in a certain region, including the local GDP, population size (in both residential and commercial terms), average income levels, consumption expenditure, competitive landscape, delivery market potential, average rental costs and proximity to our central kitchens. In general, we prioritize store openings in the coastal regions of China. In each region we are currently operating, namely northern, eastern and southern China, we typically prioritize expansion in city clusters where we are already present, namely cities surrounding Shanghai in the east, surrounding Shenzhen and Guangzhou in the south, and surrounding Beijing in the north. Within each city, we prioritize expansion in urban areas over suburban areas. On the basis of these factors, our network planning team identifies the cities, as well as the neighborhoods within them, where new stores should be located.

Our management team will continue to review and adjust our expansion plan on a quarterly basis. In addition, we usually conduct a feasibility study before we open a new store. Such study is normally conducted approximately six months before the opening of each restaurant, taking into account the time required to conduct such feasibility study and prepare for the restaurant opening. The feasibility study typically takes into account the existing competitors close to the potential location, the population and demographics of the neighborhood, the floor plan of the potential location and preliminary financial projections of the restaurant. For details, see "– How we choose the locations of our Domino's Pizza Stores – Site selection process" below.

We have also adopted support functions and stringent policies to manage our store expansion, including for planning, raw material procurement and supply chain, staff recruitment and training, logistics infrastructure, quality control and legal compliance. For details, see "– How we choose the locations of our Domino's Pizza Stores – Store expansion management" below.

Our store expansion plan is intended to capitalize on this significant market opportunity by expanding our geographic coverage and deepening our market penetration. We believe we are well-positioned to capture this market demand and grow our market share. Historically, we more than doubled our market share from 2017 to 2021. Looking ahead, we believe that our competitive strengths in branding, taste, delivery, technology and management will enable us to continue to take market share and achieve our store growth goals. For more information about our market opportunity, see "Industry overview".

From an operational perspective, we expect that our new stores' supply needs will be met primarily by existing our central kitchens, which cover Northern China, Eastern China and Southern China. We may also build new central kitchens to accommodate our growing store network in the future. Each of our central kitchens has a service radius of approximately 350 kilometers. Within such service radius, we are generally able to accommodate new stores through the expansion of the production and warehousing capacities of existing central kitchens. Therefore, unless we open new stores outside of the service radii of our three existing central kitchens, we do not need to build new central kitchens. We currently do not envision expanding our store footprint beyond the service radii of our existing central kitchens before the end of 2023. We expect that our new stores will have largely the same size, layout and delivery-focused operational model as our existing stores. We plan to assess the growth of our store network by rigorously selecting store sites to maximize sales, control costs, minimize cannibalization and ensure that new stores align with our delivery-focused business model. We also plan to grow our supply chain commensurately with the growth of our store network. For more information about how we evaluate the sites where we open new stores, see "– How we choose the locations of our Domino's Pizza stores" below.

In terms of build time and costs, a typical Domino's Pizza store takes between four and six months to build, depending on the size and location of each store. Assuming that the estimated average investment cost per store will be approximately RMB1.5 million, this initial capital expenditure primarily includes the design, renovation and decoration for the new stores, procurement and installation of kitchen equipment and air conditioners and procurement of computer and related IT software. Our planned investment costs for opening new stores in 2022 and 2023 will be approximately RMB180 million and RMB270 million, respectively. We plan to fund our store network expansion in 2023 and 2024 with the proceeds from the Global Offering. For stores that we plan to open after 2023, we plan to fund our store network expansion with a mix of cash on hand, cash flows generated from our operations, as well as other external financings that we may seek to pursue at that time, although we expect to fund a portion of our store expansion in 2024 with proceeds by our Global Offering. With respect to the new Domino's Pizza stores that we expect to open in 2022, we have incurred and committed amounts of approximately RMB152 million since December 31, 2021 and up to the Latest Practicable Date, which amounts were funded by our existing internal resources. For more information, see "Future plans and use of proceeds."

*Our store expansion track record*

We have successfully executed our store expansion strategy during the Track Record Period. The total number of our stores increased from 188 at the beginning of the Track Record Period to 468 as of December 31, 2021, representing a three-year CAGR of 35.5%, before further increasing to 508 as of June 30, 2022. As of the Latest Practicable Date, we have opened 101 of the 120 stores that we plan to open in 2022 and have signed the leases and commenced the furnishing and preparatory work for the remaining 19 stores. We believe that, in addition to aggregate store movement, the historic success of our store expansion is also reflected by the following metrics.

*Our average daily sales growth.* Our average daily sales growth has consistently grown in both Beijing and Shanghai, as well as our new growth markets. In Beijing and Shanghai, our average daily sales per store was RMB12,009, RMB12,122, RMB12,781 and RMB13,974 in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. In our new growth markets, our average daily sales per store was RMB5,892, RMB6,002, RMB7,617 and RMB8,705 in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We achieved this growth in spite of the impact of COVID-19 across China. We believe this reflects our ability to not just increase the number of stores, but to increase sales at those stores. For details, see "– The operating performance of our Domino's Pizza stores" in this section.

*Our success in new markets.* We have experienced success opening new stores in new growth markets. For example, in September 2021, we entered one new city, namely Ningbo, Zhejiang province. Our first store in Ningbo had an initial breakeven period of one month, and a cash investment payback period of approximately three and a half months, which was substantially lower than our group average at the time. Similarly, in April 2022, we expanded into Dongguan, Guangdong province. Our first store in Dongguan had an initial breakeven period of one month, which was also substantially lower than our group average at the time. We believe the success of these stores testifies to our ability to identify opportunities in new markets for new stores as we implement our store expansion plan.

*Our improving profitability.* The successful execution of our expansion plan and penetration strategy is further demonstrated by our improving profitability during the Track Record Period. Although we recorded net losses in the Track Record Period, our Adjusted EBITDA (non-IFRS measure) consistently improved over the same period, with our Adjusted EBITDA (non-IFRS measure) turning positive in 2021 and remaining positive in the six months ended June 30, 2022.

On the basis of the foregoing, we consider that we have successfully implemented our store expansion strategy during the Track Record Period and that our store expansion is supported by sufficient demand. We believe that our historical track record of fast growth and improving profitability is testament to our ability to successfully implement of our store

expansion plan in the future. However, in the short term, the opening of new stores will cause us to have cash outflows, and these new stores may not immediately improve our profitability due to the time it takes for their sales to ramp up and for them to achieve initial breakeven and cash investment payback.

The actual number, location and timing of new stores in any period will be affected by a number of factors, including factors outside of our control, and remain subject to uncertainties. We may review and adjust our expansion plans from time to time depending on prevailing market conditions and the current conditions of our store network. For more information, see "Risk factors – Risks relating to our business and industry – Although we have grown rapidly, we cannot assure you that we will continue to grow at the same pace, or at all".

***How we choose the locations of our Domino's Pizza Stores***

*Site selection process*

We believe that a store's location is vital to its success. We rigorously assess the viability of new stores, whether in new or existing cities. These evaluations are a company-wide effort that involves our senior management, network planning, finance, project development and legal and compliance teams, who work together to review prospective locations as set forth below:

- *Strategic evaluation*. Our network planning team evaluates whether the proposed location fits within our centralized expansion strategy. Under this strategy, we rank the attractiveness of cities and neighborhoods' by conducting a weighted analysis of a multitude of factors, including local GDP, population size (in both residential and commercial terms), average income levels, consumption expenditure, competitive landscape, delivery market potential, average rental costs and proximity to our central kitchens. On the basis of these factors, our network planning team identifies the cities, as well as the neighborhoods within them, where new stores should be located. In general, we prioritize store openings in the coastal regions of China. In each region we are currently operating, namely northern, eastern and southern China, we typically prioritize expansion in city clusters where we are already present, namely cities surrounding Shanghai in the east, surrounding Shenzhen and Guangzhou in the south, and surrounding Beijing in the north. Within each city, we prioritize expansion in urban areas over suburban areas. We follow this strategy for the following reasons: (i) we have built up our brand in each of these region's hub cities, namely Beijing, Shanghai, Shenzhen and Guangzhou, and new stores opened in these cities and in the cities surrounding these hub cities can enjoy the benefit of our established brand awareness; (ii) these cities and their surrounding areas have advanced economic development and higher disposal income per capita; (iii) new stores opened in these markets are within the delivery range of our three existing central kitchens, and such new stores can fully utilize the supply chain and logistics capacity provided by these three central kitchens without incurring significant new capital expenditure.

- *Performance modeling*. Our finance team focuses on quantitatively modelling the expected performance of proposed stores. They focus on projecting financial and sales performance. After a new store opens, our network planning team also compares actual sales with forecasts, which enables us to refine the models used and improve our ability to evaluate the expected performance of proposed stores in the future.

- *Onsite planning*. Our project development team inspects the physical property and ensures that the store will comply with our compliance standards and applicable laws and regulations. For example, we ensure that the store space will accommodate electric cabling, grease traps, smoke exhausts, and fire escape routes that, in each case, meet the applicable national standards. We also ensure that the store site is operationally feasible – for example, there must be sufficient parking spaces for our delivery bikes. Our project development team will also negotiate lease terms to ensure that rental costs will be viable for our store.

- *Legal and compliance*. Our legal and compliance teams review legal risks surrounding the proposed store, as well as communicate with local authorities to make sure that we comply with local qualification and licensing requirements.

When entering new regions which will require us to build new central kitchens, we will evaluate the entire region on a more comprehensive scope and take a longer development and investment assessment horizon.

*Store expansion management*

As we increase the density of our store network, we believe that our methodical approach to site selection can effectively prevent cannibalization amongst our existing and new stores, especially in Beijing and Shanghai where we have a more established presence. In view of our 30 minute delivery promise, we typically avoid opening new stores with a 30-minute service radius that overlaps with the 30-minute service radius of an existing store. Accordingly, we generally strive to open our stores in concentric rings within a given city, which we believe enables us to serve our customers efficiently, maximize our brand recognition, and minimize cannibalization.

To cope with rapid growth, we have adopted the support functions and stringent policies set forth below:

- *Planning*. Our development, planning and operations team covers research, planning, location selection, construction and preparation of new stores. The team vigorously carries out market research and analysis for new store opening, executes the overall planning of new stores, site selection, construction and preparation for opening for each year, and liaises with other teams in monitoring store performance and collecting data for additional store opening.

- *Raw material procurement and supply chain*. We have centralized supply chain management supported by the three central kitchens located in Shanghai, Sanhe and Dongguan, supporting the three main regions we are currently focused on further building up. Our supply chain team closely monitors the market price of major raw materials, such as wheat, flour, cheese and protein, and works closely with sales in each region in procurement management. In addition, our supply chain team is also an integral part of our menu development team to make sure new menu items are deliverable in the required form factor and packaging.

- *Staff recruitment and training*. We recruit talent through diversified channels, such as in-store posters, social media, internal referrals, campus recruitment, online recruiting platforms and recruiting agencies. We have also continued to drive talent development programs to promote talent from within. We have identified the lynchpin positions and run talent roundtables frequently to review talent needs, succession plans and talent development programs. We have also developed our training programs into e-learning to facilitate more flexible self-coaching.

- *Logistics infrastructure*. We operate three central kitchens together with the warehouse attached to each of the central kitchens in northern, eastern and southern China for our business in these three regions. In addition, we engage large-scale, reliable local and cross-region logistics partners for the delivery of our pizza dough and other raw materials and ingredients to our stores. We set a unified set of stringent requirements and standards with our logistic partners and their fleets, especially with respect to our cold chain delivery fleet. In addition, we plan to further expand the warehouse areas to our Shanghai, Sanhe and Dongguan central kitchens to upgrade their logistics management efficiency and create more floor area that will allow us to add more production lines in the future.

- *Quality control and legal compliance*. We put a high emphasis on food safety and hence have been vigorously enhancing our quality control. We keep the quality control function within the supply chain department to ensure the safety and high quality of raw material and semi-produced ingredients, such as pizza dough, pasta and rice. We have also standardized operational procedures for producing, serving and delivering our food to customers, and our operation and staff training teams routinely inspect our stores to ensure the consistency in the high standard. Our public relations, internal control and legal departments closely monitor the legal compliance status of each store and delegate day-to-day compliance work streams to our store managers who are regularly trained.

In terms of the expected breakeven and payback targets for our stores, we analyze how the applicable market has been performing historically, as well as the experience and know-how we have accumulated through our years of experience.

In Beijing and Shanghai, where we have a longer operating history and stronger brand awareness, we aim for a cash investment payback period of less than 36 months. For our new growth markets, it is a process of continual build-up. When we initially enter a new market, the first set of stores are opened with brand building in mind. To that end, we may open the first set of stores in prime areas and launch promotions as they open, resulting in higher rental costs and promotional costs, which in turn results in initial capital expenditures that may be higher than those incurred when opening a store in an existing market. However, as we continue to grow our store network in a new market and raise brand awareness there, the initial breakeven period and cash investment payback periods tend to shorten.

This growth trajectory has been consistently observed as we have built our store network in Beijing and Shanghai, where our stores have a stable cash investment payback period of less than 36 months on average. We have also observed a similar growth trajectory in some of the new growth markets. For example, our stores in Hangzhou, the first market we entered outside of Beijing and Shanghai, have now attained a stable average cash investment payback period of 36 months, which is similar to that of Beijing and Shanghai. As we continue to build out our store network in northern, eastern and southern China, we expect the process of building up in new markets will shorten as we leverage brand halo effects, as well as increasingly effective marketing campaigns that leverage our accumulated know-how. For example, we achieved accelerated payback period in some of our new markets during the initial stages of our expansion there. In September 2021, we opened our first store in Ningbo, Zhejiang province, and it achieved an initial breakeven period of one month and a cash investment payback period of three and a half months. Similarly, in April 2022, we opened our first store in Dongguan, Guangdong Province, and it achieved an initial breakeven period of one month, and is expected to achieve a cash investment payback period of less than six months.

In summary, we expect that the average cash investment payback period will continue to be 36 – 48 months across all of our markets. In the long run, we aim to have an average cash investment payback period of approximately 36 months for our stores across all of our markets. In comparison, the average initial breakeven period and cash investment payback period in the China pizza market is typically over two months and three to five years, respectively, according to the Frost & Sullivan Report.

**Features of our Domino's Pizza stores**

***Size and layout***

Although all of our stores offer dine-in services, we optimize our stores for our delivery-focused business model. To that end, we generally aim to keep our store sizes compact, particularly in areas where we have high store density. This enables us to focus on serving delivery and carryout customers while managing our rental costs. The average size of our stores was 125 square meters, and the average number of seats in our stores was 28 as of June 30, 2022. The size and layout of our stores varies depending on the commercial profile of the areas in which they are located. The table below sets forth a breakdown of our stores by size as of the dates indicated:

| | As of December 31, | | | As of June 30, | | As of the Latest Practicable Date |
|---|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** | |
| **Number of stores** | | | | | | |
| *By size* | | | | | | |
| >150 $m^2$ | 49 | 63 | 64 | 64 | 74 | 85 |
| ≤150 $m^2$ | 219 | 300 | 404 | 351 | 434 | 484 |
| **Total** | **268** | **363** | **468** | **415** | **508** | **569** |

We optimize the layout of our stores for delivery. Our stores generally have dedicated areas for riders and customers to pick up delivery and carryout orders, which streamlines the pickup process. In addition, in certain stores in Shanghai, we have also installed pickup boxes outside of the store, which our riders can use to pick up pizzas for delivery without stepping foot into the store. Taken together, this minimizes congestion in our stores and makes it more convenient for our riders and customers to collect their orders.

***Store design, decoration and equipment***

Our stores feature a unified visual language that is both inviting and memorable for customers, as well as high-efficiency, environmentally-friendly equipment that allows our frontline workers to safely prepare high-quality, delicious fare for our customers.

*Customer-facing exteriors and interiors*

Store exteriors typically prominently display our branding, such as the Domino's Pizza logo, as well as the classic Domino's colors, blue and red. Store interiors are designed to convey a young, warm and approachable ambiance. We believe our décor is an important tool for establishing brand recognition and provides a welcoming space for our customers.

The image below shows a typical shopfront for one of our Domino's Pizza stores:

The image below shows the storefront of one of our Domino's Pizza stores with a pickup station located outside of the store, which customers and riders can use to pick up carryout and delivery orders, respectively:

The image below shows the typical interior area of one of our Domino's Pizza stores:

*Our kitchens and appliances*

Our kitchens generally take up about half of the area of our stores. Our kitchens are custom-built for the expected service capacity of a particular store, particularly in view of our 30-minute delivery promise. In designing our kitchen spaces, we seek to maximize four factors: (i) food safety, (ii) fire safety, (iii) employee satisfaction, and (iv) productivity. We make sure that our kitchens have sufficient room for the cold-storage equipment needed for food safety, fire escape routes, and space for our employees to work comfortably and productively in.

We equip our kitchens with high-efficiency, environmentally-friendly appliances. The core appliances in our kitchens are (i) ovens, which we use to cook pizzas and the majority of our other foods, and (ii) refrigerators and freezers for storage. For more information about the appliances we use and their efficiency, please see "– Environmental, social and governance".

The image below shows a kitchen in a typical Domino's Pizza store:

***Renovation of our Domino's Pizza stores***

To ensure that our stores meet our design requirements, we regularly assess whether we need to conduct renovation of our Domino's Pizza stores. Typically, we make this assessment when we renew the lease of a given store. Whether we conduct a renovation depends on several factors, including the age of the existing store and the duration of the renewed lease. We are more likely to renovate stores whose leases are renewed for longer periods. In the course of a store renovation, we incur capital expenditures and will temporarily close the store being renovated. However, in the aggregate, store renovations do not have material impact on our operating or financial performance.

***Our store teams***

Our stores are staffed in a dynamic, flexible manner to maximize the efficiency of our operations. Each of our stores is typically staffed a pool of by 20 to 30 team members, who work in shifts. The specific number of team members working during a specific shift varies, as we staff our stores on a rolling, weekly basis in response to anticipated demand. When we expect heightened demand during a particular time, we may staff more team members. During a typical shift, the in-store team is composed of approximately two full-time management staff, one full-time staff, and ten part-time staff. Our management staff oversees the overall operation of our stores. Our non-management staff are generalists who work as both assistants and riders. In their capacity as assistants, they primarily work within the stores, such as in the kitchen or at the cashier. In their capacity as riders, they are responsible for making deliveries to customers. Our team structure is highly flexible and we allow each team member to take on different duties within the store depending on customer demand. For example, if a store needs more riders, the assistants in the store can also serve as riders as needed during peak hours. We provide training to make sure our store teams can act both as in-store assistants and as riders. We believe the flexibility and skills of our store teams are an important part of our success.

For more information about our rider management, please see "– Our expertise in delivery – Our dedicated rider fleet". For more information about our employees in general, please see "– Employees".

**The operating performance of our Domino's Pizza stores**

***Key performance indicators***

We use a number of financial measures and operating metrics to evaluate the performance of our Domino's Pizza stores. The key performance indicators that we use are set forth in the table below for the periods or as of the dates indicated:

| | For the year ended or as of December 31, | | | For the six months ended or as of June 30, | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| **Number of stores** | | | | | |
| Beijing and Shanghai | 180 | 221 | 267 | 249 | 283 |
| New growth markets[3] | 88 | 142 | 201 | 166 | 225 |
| **Total** | **268** | **363** | **468** | **415** | **508** |
| **Revenue (RMB in millions)** | | | | | |
| *By market* | | | | | |
| Beijing and Shanghai | 702 | 869 | 1,147 | 554 | 580 |
| New growth markets[3] | 134 | 235 | 464 | 213 | 329 |
| **Total[1]** | **837** | **1,104** | **1,611** | **767** | **909** |

| | For the year ended or as of December 31, | | | For the six months ended or as of June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| **Average daily sales per store[2] (RMB)** | | | | | |
| *By market* | | | | | |
| Beijing and Shanghai | 12,009 | 12,122 | 12,781 | 12,968 | 13,974 |
| New growth markets[3] | 5,892 | 6,002 | 7,617 | 7,616 | 8,705 |
| **All markets** | **10,292** | **9,962** | **10,692** | **10,854** | **11,462** |
| *By dining option* | | | | | |
| Delivery | 7,209 | 7,420 | 7,831 | 7,918 | 8,196 |
| Non-delivery | 3,083 | 2,542 | 2,861 | 2,937 | 3,266 |
| **All options** | **10,292** | **9,962** | **10,692** | **10,854** | **11,462** |
| **Average orders per store per day[4] (#)** | | | | | |
| *By market* | | | | | |
| Beijing and Shanghai | 147 | 140 | 138 | 142 | 139 |
| New growth markets[3] | 79 | 75 | 89 | 91 | 100 |
| **All markets** | **128** | **117** | **118** | **122** | **120** |
| **Average sales value per order[5] (RMB)** | | | | | |
| *By market* | | | | | |
| Beijing and Shanghai | 81.6 | 86.6 | 92.6 | 91.3 | 100.3 |
| New growth markets[3] | 74.5 | 80.0 | 85.6 | 83.6 | 87.2 |
| **All markets** | **80.4** | **85.1** | **90.5** | **89.0** | **95.1** |
| *By dining option* | | | | | |
| Delivery | 89.2 | 93.4 | 99.2 | 97.5 | 99.8 |
| Non-delivery | 65.3 | 67.6 | 72.9 | 72.1 | 85.1 |
| **All options** | **80.4** | **85.1** | **90.5** | **89.0** | **95.1** |
| **Store-level operating profit[6] (RMB'000)** | | | | | |
| *By market* | | | | | |
| Beijing and Shanghai | 94,202 | 124,016 | 212,170 | 103,674 | 102,086 |
| New growth markets[3] | (19,642) | (35,471) | (11,954) | (3,739) | 17,611 |
| **All markets** | **34,221** | **38,073** | **143,926** | **71,844** | **83,325** |
| **Store-level operating profit margin[7] (%)** | | | | | |
| *By market* | | | | | |
| Beijing and Shanghai | 13.4 | 14.3 | 18.5 | 18.7 | 17.6 |
| New growth markets[3] | (14.6) | (15.1) | (2.6) | (1.8) | 5.4 |
| **All markets** | **4.1** | **3.4** | **8.9** | **9.4** | **9.2** |

*Notes:*

(1) Amounts may not foot due to rounding.

(2) Calculated by dividing the revenues generated from the relevant store for a particular period by the aggregate number of days of operation of such store during the same period.

(3) "New growth markets" refers to Shenzhen, Guangzhou, Hangzhou, Tianjin, Nanjing, Suzhou, Wuxi, Ningbo, Foshan, Dongguan, Zhuhai and Zhongshan.

(4) Calculated by dividing the aggregate number of orders placed by customers with the store for a particular period by the aggregate number of days of operation of such store during the same period.

(5) Calculated by dividing the revenues generated from the relevant store for a particular period by the aggregate number of orders placed by customers with such store during the same period.

(6) Represents revenue less operational costs incurred at the store level, comprising salary-based expense, raw materials and consumables cost, depreciation of right-of-use assets, depreciation of plant and equipment, amortization of intangible assets, variable lease rental payment and short-term rental expenses, utilities expenses, advertising and promotion expenses, store operating and maintenance expenses and other expenses. Store-level operating profit for a given market excludes unallocated costs, which primarily represent the operation costs incurred from our central kitchens, our call center and staff training expenses in anticipation of new store openings, all of which are not allocable to any particular market, and are therefore excluded from store-level operating profit by market. In 2019, 2020 and 2021, these unallocated costs amounted to RMB40.3 million, RMB50.5 million and RMB56.3 million, representing 4.8%, 4.6%, and 3.5% of revenue, respectively. In the six months ended June 30, 2021 and 2022, these unallocated costs amounted to RMB28.1 million and RMB36.4 million, representing 3.7% and 4.0% of revenue, respectively.

(7) Calculated by dividing store-level operating profit by revenue for the same period. Store-level operating profit margin for a given market is calculated by dividing store-level operating profit (excluding unallocated costs) by total revenue, in each case for that market and that year, and multiplying the result by 100%. For details about unallocated costs, please refer to footnote (6) above.

*Average daily sales per store*

In Beijing and Shanghai, average daily sales per store increased by 0.9% from RMB12,009 in 2019 to RMB12,122 in 2020, before further increasing by 5.4% to RMB12,781 in 2021, representing an overall increase of 6.4% from 2019 to 2021. For the six months ended June 30, 2021 and 2022, average daily sales per store in Beijing and Shanghai was RMB12,968 and RMB13,974, respectively, representing a year-over-year increase of 7.8%.

In our new growth markets, average daily sales were lower than in Beijing and Shanghai but grew faster, increasing by 1.9% from RMB5,892 in 2019 to RMB6,002 in 2020, before further increasing by 26.9% to RMB7,617 in 2021, representing an overall increase of 29.3% from 2019 to 2021. For the six months ended June 30, 2021 and 2022, average daily sales per store in our new growth markets was RMB7,616 and RMB8,705, respectively, representing a year-over-year increase of 14.3%.

We have been strategically expanding faster in our new growth markets. More than half of the new stores that we opened in each year of the Track Record Period were opened in our new growth markets. As a result, stores in new growth markets represent an increasingly large proportion of our overall store network, accounting for 32.8%, 39.1%, 42.9% and 44.3% of our total stores as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. At the same time, the average daily sales per store in new growth markets has yet to reach the level seen in Beijing and Shanghai. The growing proportion of stores in new growth markets, coupled with the lower average daily sales per store of such stores, were the primary reasons for the total decrease in average daily sales per store from RMB10,292 in 2019 to RMB9,962 in 2020. However, in 2021 and the first half of 2022, as stores in our new growth markets continued to ramp up, our total average daily sales per store increased to RMB10,692 and RMB11,462, respectively.

In Beijing and Shanghai, average daily sales per store have been consistently increasing over the Track Record Period, primarily driven by an increase in average sales value per order, partially offset by a slight decrease in average orders per store per day. The increase in average sales value per order was primarily driven by our continued efforts in menu development and localization, active marketing and trade-up strategies in combo offerings, which have enabled us to increase sales value while maintaining customer demand. The decrease in average orders per store per day was primarily driven by our expansion to new locations with lower populations as we continue to deepen our penetration in Beijing and Shanghai. Relative to our older stores, stores in these new locations have a lower initial order volume and are more adversely affected by the COVID-19 pandemic, which together led to a decrease in average orders per store per day in 2020, 2021 and the first half of 2022 as compared to the prior periods.

In our new growth markets, average daily sales per store have been consistently increasing over the Track Record Period, driven by both increasing average sales value per order and average orders per store per day. As with Beijing and Shanghai, average sales value per order in our new growth markets primarily increased due to our menu development and localization, active marketing and trade-up strategies in combo offerings. At the same time, our new growth markets also benefitted from other growth drivers. For example, the increasing brand awareness in new growth markets encouraged our customers there to purchase more for each order. In addition, although new growth markets typically record more non-delivery orders, the percentage of delivery orders has also been increasing, which also contributed to an increasing sale value per order as delivery orders usually have a higher sale value per order than dine-in orders. The overall increase in average orders per store per day in new growth markets was primarily driven by the rapid ramp-up of stores as brand awareness strengthens and customer demand increases, coupled with a growing proportion of delivery orders. These positive effects were offset by the adverse impact of the COVID-19 pandemic in 2020, which resulted in a slight decrease in average orders per store per day in 2020 relative to 2019. However, in 2021 and the first half 2022, as market conditions normalized, our brand awareness continued to strengthen, and delivery orders further increased, average orders per store per day rebounded, driving an overall increase in average orders per store per day in our new growth markets over the Track Record Period.

We record higher average daily sales per store in Beijing and Shanghai than in our new growth markets, primarily due to our longer operating history, higher store density and stronger brand awareness in Beijing and Shanghai. The average daily sales per store in Beijing and Shanghai continued to grow steadily but at a milder pace compared to that of our new growth markets, primary as a result of our expansion into areas with lower populations than the areas serviced by our existing stores and the consistently high average daily sales per store in Beijing and Shanghai during the Track Record Period. At the same time, our average daily sales per store has increased substantially faster in our new growth markets, with a year-on-year increase of 1.9% from 2019 to 2020, a year-on-year increase of 26.9% from 2020 to 2021 and a year-on-year increase of 14.3% from the first half of 2021 to the first half of 2022, primarily attributable to the fact that we expanded into new markets where there was widely untapped consumer demand and our stores ramped up sales quickly as we continued to build out our footprint and penetrate in these new growth markets.

In terms of dining options, our average daily sales per store is higher for delivery orders than non-delivery orders. This is primarily because we record more delivery orders and delivery orders have a higher average sales value per order. Average daily sales for delivery orders increased by 2.9% from RMB7,209 to RMB7,420, before further increasing by 5.5% to RMB7,831 in 2021. For the six months ended June 30, 2021 and 2022, average daily sales per store for delivery orders was RMB7,918 and RMB8,196, respectively, representing a period-over-period increase of 3.5%. The underlying reasons for this consistent increase are similar to those discussed above, and include the continued ramp-up of our stores, our strengthening brand awareness, and the strength of our delivery services.

Average daily sales for non-delivery orders decreased by 17.6% from RMB3,083 to RMB2,542, primarily due to the COVID-19 pandemic and the related control measures, which limited the customers to place non-delivery orders with us. In 2021, average daily sales for non-delivery orders increased 12.6% year-on-year to reach RMB2,937 as the effects of the COVID-19 pandemic subsided. For the six months ended June 30, 2021 and 2022, average daily sales per store for non-delivery orders was RMB7,918 and RMB8,196, respectively, representing a period-over-period increase of 3.5%, despite the impact of the COVID-19 pandemic in certain cities during the first half of 2022. This increase was primarily attributable to (i) group buying activities in Shanghai, whereby customers placed large group orders for carryout, driving average sales value per order and offsetting the reduced number of orders, as well as (ii) the strong performance of stores in the markets we entered in the first half of 2022, such as Ningbo, Foshan and Dongguan, which were relatively unaffected by the COVID-19 pandemic and benefitted from strong brand halo effects, coupled with relatively higher portion of non-delivery order in these newly opened stores, resulting in heightened customer demand that drove average orders per store.

For similar reasons, our average daily sales per store is typically higher for stores that have been open for longer. The following table sets forth average daily sales per store by year of opening during the Track Record Period:

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| **Average daily sales per store[(1)] (RMB)** | | | | | |
| *By year of opening* | | | | | |
| **Stores opened before 2019:** | | | | | |
| Beijing and Shanghai | 12,385 | 13,363 | 15,239 | 15,265 | 16,883 |
| New growth markets | 5,980 | 7,022 | 9,361 | 9,208 | 10,847 |
| **All markets** | **10,857** | **11,844** | **13,844** | **13,807** | **15,277** |
| **Stores opened in 2019:** | | | | | |
| Beijing and Shanghai | 9,120 | 9,162 | 10,864 | 10,811 | 13,057 |
| New growth markets | 5,677 | 5,191 | 7,706 | 7,502 | 9,490 |
| **All markets** | **7,415** | **7,058** | **9,203** | **9,070** | **11,062** |
| **Stores opened in 2020:** | | | | | |
| Beijing and Shanghai | * | 9,029 | 8,965 | 8,909 | 10,804 |
| New growth markets | * | 5,532 | 6,423 | 6,423 | 7,669 |
| **All markets** | * | **7,234** | **7,565** | **7,541** | **8,937** |
| **Stores opened in 2021:** | | | | | |
| Beijing and Shanghai | * | * | 9,042 | 9,586 | 10,071 |
| New growth markets | * | * | 7,100 | 7,595 | 7,160 |
| **All markets** | * | * | **8,040** | **8,666** | **8,292** |
| **Stores opened in 2022:** | | | | | |
| Beijing and Shanghai | * | * | * | * | 10,025 |
| New growth markets | * | * | * | * | 10,804 |
| **All markets** | * | * | * | * | **10,486** |
| **All stores:** | | | | | |
| Beijing and Shanghai | 12,009 | 12,122 | 12,781 | 12,968 | 13,974 |
| New growth markets | 5,892 | 6,002 | 7,617 | 7,616 | 8,705 |
| **All markets** | **10,292** | **9,962** | **10,692** | **10,854** | **11,462** |

*Notes:*

* Not applicable.

(1) Calculated by dividing the revenues generated from the relevant store for a particular period by the aggregate number of days of operation of such store during the same period.

Stores of older vintages generally recorded higher average daily sales per store during the Track Record period, primarily because these stores have had sufficient time to ramp up and develop strong brand awareness with nearby consumers, resulting in a larger base of customers that drive sales volume at our stores. Notwithstanding the foregoing, the stores that we opened in the first half of 2022 recorded higher average daily sales per store than stores opened from 2019 to 2021, primarily because the new stores that we opened in the first half of 2022 benefited from the successful execution of our site selection strategy, which enabled us to open stores in locations that enjoy from significant brand halo effects. For example, our new stores in Ningbo and Dongguan enjoy brand halo effects from being situated near Shanghai and Shenzhen, respectively. In addition, the general improvement in our brand recognition led to higher initial sales for stores opened in the first half of 2022.

*Average orders per store per day*

Average daily orders per store per day decreased by 8.6% from 128 in 2019 to 117 in 2020, before increasing by 1.0% to 118 in 2021. For the six months ended June 30, 2021 and 2022, average orders per store per day were 122 and 120, respectively, representing a year-over-year decrease of 1.2%, and an overall decrease over the Track Record Period. In Beijing and Shanghai, average daily orders per store per day decreased by 4.8% from 147 in 2019 to 140 in 2020, before further decreasing by 1.4% to 138 in 2021.

For the six months ended June 30, 2021 and 2022, average orders per store per day in Beijing and Shanghai were 142 and 139, respectively, representing a year-over-year decrease of 1.9%. In our new growth markets, average daily orders per store per day decreased by 5.1% from 79 in 2019 to 75 in 2020, before increasing by 18.7% to 89 in 2021. For the six months ended June 30, 2021 and 2022, average orders per store per day in our new growth markets were 91 and 100, respectively, representing a year-over-year increase of 9.5%.

As we continue to deepen our penetration in Beijing and Shanghai, our new stores there have been expanding into locations that have lower populations compared to our existing locations. As a result, the initial order volume in these new stores is not as strong as that in older stores. These new stores were also more adversely affected by the COVID-19 pandemic than our older stores. These factors together led to a decrease in average orders per store per day in Beijing and Shanghai in 2020, 2021 and the six months ended June 30, 2022 as compared to the prior periods.

The overall increase in average orders per store per day in our new growth markets over the Track Record Period was mainly driven by the rapid ramp-up of stores in those markets as our brand awareness further strengthens and customer demand increases. This was partially offset by the adverse impact of the COVID-19 pandemic in 2020, which had a more significant effect on stores in our new growth markets, where the proportion of dine-in customers is relatively higher, making our new growth markets more susceptible to the impact of lockdowns and other COVID-19 restrictions. This resulted in a slight decrease in average orders per store per day in 2020 relative to 2019 in our new growth markets. However, in 2021 and the six months ended June 30, 2022, market conditions in most of the cities where we operate

normalized, our brand awareness continued to strengthen, and delivery orders further increased, leading to a rebound in average orders per store per day, resulting in an overall increase in average orders per store per day in our new growth markets over the Track Record Period. This increase in turn drove the total increase in average orders per store per day over the Track Record Period.

We record higher average orders per store per day in Beijing and Shanghai than in our new growth markets, primarily due to the stronger brand awareness we enjoy in those cities, as described in more detail under "– Average daily sales per store" above.

*Average sales value per order*

Average sales value per order increased by 5.8% from RMB80.4 in 2019 to RMB85.1 in 2020, before further increasing by 6.3% to RMB90.5 in 2021, representing an overall increase over the Track Record Period. For the six months ended June 30, 2021 and 2022, our total average sales value per order was RMB89.0 and RMB95.1, respectively, representing a year-over-year increase of 6.9%.

In Beijing and Shanghai, average sales value per order increased by 6.1% from RMB81.6 in 2019 to RMB86.6 in 2020, before further increasing by 6.9% to RMB92.6 in 2021. For the six months ended June 30, 2021 and 2022, average sales value per order in Beijing and Shanghai was RMB91.3 and RMB100.3, respectively, representing a year-over-year increase of 9.9%. In our new growth markets, average daily orders per store per day increased by 7.4% from RMB74.5 in 2019 to RMB80.0 in 2020, before further increasing by 6.9% to RMB85.6 in 2021. For the six months ended June 30, 2021 and 2022, average sales value per order in our new growth markets was RMB83.6 and RMB87.2, respectively, representing a year-over-year increase of 4.3%.

The increase in average sales value per order was primarily attributable to our add-on and trade up strategies, which are offered for both delivery and non-delivery orders. These strategies encourage customers to add sides and other items to their orders, and trade up their pizzas for more indulgent styles. The increase was also attributable to an increase in delivery sales in our new growth markets, as delivery sales typically have higher average sales value per order than non-delivery sales. In particular, average sales value per order for delivery orders was RMB89.2, RMB93.4, RMB99.2 and RMB99.8 in 2019, 2020, 2021 and the six months ended June 30, 2022, while average sales value per order for non-delivery orders was RMB65.3, RMB67.6, RMB72.9 and RMB85.1 in the same periods.

In terms of order composition, during the Track Record Period, a typical order consisted of a pizza, a drink and a side item. We also offer combo orders, which allow customers to combine a rice or pasta with sides and drinks. These combo orders have become more popular over the course of the Track Record Period, which has also contributed to growth in average sales value per order during the Track Record Period. See "– Our menu – Our value for money pricing policy" for more information about our pricing policy.

*Store-level operating profit margin*

Store-level operating profit margin is calculated by dividing store-level operating profit by revenue in the same period. During the Track Record Period, our store-level operating profit margin was 4.1%, 3.4%, 8.9% and 9.2% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

We also calculate store-level operating profit margin by excluding certain unallocated costs, which primarily represent the operation costs incurred from our central kitchens, our call center and staff training expenses in anticipation of new store openings, all of which are not allocable to any particular market, and are therefore excluded from store-level operating profit by market. Excluding such unallocated costs, during the Track Record Period, our store-level operating margin in Beijing and Shanghai was 13.4%, 14.3%, 18.5% and 17.6% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Our store-level operating margin in our new growth markets was (14.6%), (15.1%), (2.6%) and 5.4% in the same periods, respectively.

We attribute the improvements in our store-level operating profit margin primarily to the increase in sales at both our new and old stores, as well as growing economies of scale driven by the expansion of our store network, which has reduced operating costs across our markets as we realize economies of scale and our increased size enables us to have more negotiating power vis-à-vis our landlords and suppliers. As a result, store-level sales have increased more rapidly than store-level costs, resulting in improvements in store-level operating profit margin. The gains in profitability caused by the increase in sales and the decrease in operating costs has partially been offset by a rising proportion of new stores, particularly in new growth markets, in our store network, which tend to experience a ramp up period after they are opened during which they record lower sales and are less profitable.

In terms of markets, Beijing and Shanghai have historically been where we were most profitable, while our new growth markets have seen rapidly increasing profitability as we ramp up our operations there. Our group-level increase in profitability was thus primarily driven by the rapid improvement in the profitability of our new growth markets. This rapid improvement was primarily the result of the increase in average daily sales per store in our new growth markets as stores in those markets ramped up, driven by increasing brand awareness, customer demand and a growing proportion of delivery orders.

We believe that there is ample room for our store-level operating profit margin to increase in the future. As the proportion of stores that have ramped up increases and our brand awareness grows, we expect that our revenue per store will increase in the future. At the same time, we plan to control our store-level costs and expenses, such as by leveraging our technology to further control our store-level staff compensation expenses, as well as by continuing to use our increasing negotiating power to secure favorable procurement and rental lease terms. As a result, we expect to realize economies of scale that will enable us to further improve our store-level operating profit margin. For more information, please see "Financial Information – Business sustainability – Measures to improve our profitability – Drive revenue growth by increasing revenue per store" and " – Control store-level costs and expenses."

***Same-store performance***

The following table sets forth the details of our same-store sales of our Domino's Pizza stores during the Track Record Period. These are important metrics that our management tracks in evaluating our same-store performance. For purposes of calculating same-store sales growth, or SSSG, between two periods, we define same stores as those Domino's Pizza stores that were open for at least 18 months as of the end of the latter year (or period). Only sales generated by a store after it qualifies as a same store are used in the calculation of SSSG, and such sales are compared against the sales generated by that store in the comparable days of the prior period.

| | For the years ended December 31, | | For the years ended December 31, | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2020 | 2021 | 2021 | 2022 |
| **Number of same stores (#)** | | | | | | |
| *By market* | | | | | | |
| Beijing and Shanghai | 157 | | 195 | | 221 | |
| New growth markets[(1)] | 60 | | 106 | | 139 | |
| **Total** | **217** | | **301** | | **360** | |
| **Same-store sales[(2)] (RMB in millions)** | | | | | | |
| *By market* | | | | | | |
| Beijing and Shanghai | 623.9 | 671.8 | 801.0 | 914.7 | 426.2 | 472.0 |
| New growth markets[(1)] | 89.1 | 105.1 | 188.6 | 259.7 | 167.1 | 204.0 |
| **Total** | **713.0** | **776.9** | **989.6** | **1,174.5** | **593.3** | **676.0** |
| **SSSG (%)** | | | | | | |
| *By market* | | | | | | |
| Beijing and Shanghai | 7.7 | | 14.2 | | 10.7 | |
| New growth markets[(1)] | 18.0 | | 37.7 | | 22.1 | |
| **Total** | **9.0** | | **18.7** | | **13.9** | |

*Notes:*

(1) "New growth markets" refers to Shenzhen, Guangzhou, Hangzhou, Tianjin, Nanjing, Suzhou, Wuxi, Ningbo, Foshan, Dongguan, Zhuhai and Zhongshan.

(2) Represents the revenue of all stores in our store network that qualify as same stores during the period indicated.

*Same-store sales and SSSG*

Total same-store sales increased from RMB713.0 million in 2019 to RMB776.9 million in 2020, representing year-on-year same stores sales growth, or SSSG, of 9.0%. Total same-store sales increased from RMB989.6 million in 2020 to RMB1,174.5 million in 2021, representing SSSG of 18.7%. Total same-store sales increased from RMB593.3 million for the six months ended June 30, 2021 to RMB676.0 million for the six months ended June 30, 2022, representing SSSG of 13.9%. Across all our markets, our same-store sales grew as we deepened our brand awareness and the popularity of delivery increased among Chinese consumers, which increased our average daily sales and order volume.

In the first half of 2022, amidst the resurgence of COVID-19, local governments across China imposed a variety of COVID-19 control measures, including citywide lockdowns in certain cities where we operate, leading to a temporary reduction in sales levels compared to the same periods in 2021. Our SSSG slightly decreased in the first half of 2022 compared to the same period in 2021, but nonetheless remained strong in the first half of 2022, with SSSG of 10.7% in Beijing and Shanghai and SSSG of 22.1% in our new growth markets during the period. The high level of SSSG recorded in the first half of 2021 as compared to the first half of 2020 was also attributable to the normalization of market conditions and store operations after the outbreak of COVID-19 in the first half of 2020. More generally, we expect our SSSG to normalize in the future as our operating history across all of our markets becomes longer and the proportion of ramped-up stores with mature sales levels increases.

In Beijing and Shanghai, same-store sales increased by 7.7% from RMB623.9 million in 2019 to RMB671.8 million in 2020. Same-store sales in Beijing and Shanghai increased by 14.2% from RMB801.0 million in 2020 to RMB914.7 million in 2021. Same-store sales in Beijing and Shanghai increased from RMB426.2 million for the six months ended June 30, 2021 to RMB472.0 million for the six months ended June 30, 2022, representing SSSG of 10.7%. Our SSSG in Beijing and Shanghai demonstrates that our same stores sales have the potential to grow even in our relatively mature markets.

In our new growth markets, same-store sales increased by 18.0% from RMB89.1 million in 2019 to RMB105.1 million in 2020. Same-store sales in our new growth markets increased by 37.7% from RMB188.6 million in 2020 to RMB259.7 million in 2021. Same-store sales in our new growth markets increased from RMB167.1 million for the six months ended June 30, 2021 to RMB204.0 million for the six months ended June 30, 2022, representing SSSG of 22.1%. Our SSSG in our new growth markets demonstrates the ability of stores in our new growth markets to generate sales and become profitable after an initial ramp up period.

***Initial breakeven period and Cash investment payback period of our stores***

Our store economic model provides a foundation for our stores to achieve initial breakeven and cash investment payback on a competitive timeframe. Initial breakeven period refers to the first month for the revenue of a newly opened restaurants to at least equal to its operating expenses on a cash basis. When calculating initial breakeven periods, we take into account all digital marketing expenses, which include, among others, all fees charged by third party online channels, which in turn include (i) fees ranging from approximately one percent to approximately six percent of the price of each order fulfilled by third-party online ordering platforms and (ii) fees for other advertising and promotion activities, which fees did not account for a material portion of our total advertising and promotion expenses during the Track Record Period. Cash investment payback period refers to the amount of time it takes for the cumulative store operating profit on a cash basis to cover the costs to open a store. Cash investment payback periods are longer than initial breakeven periods, because once a store achieves initial breakeven and begins generating profits, the store must continue to ramp up and generate profits for such time until its cumulative profits exceed its costs of opening.

The majority of stores opened during the Track Record Period had an initial breakeven period of between one and three months, while the typical cash investment payback period for our stores is approximately three to four years. In comparison, the average initial breakeven period and cash investment payback period in the China pizza market is typically over two months and three to five years, respectively, according to the Frost & Sullivan Report.

During the Track Record Period, we opened 320 new stores (net of store closures), of which 281 stores (or approximately 87.8%) had achieved initial breakeven as of June 30, 2022. The remaining 39 stores (the "**Non-Breakeven Stores**") had not yet achieved initial breakeven as of June 30, 2022. Of the Non-Breakeven Stores, two, nine, 17 and 11 stores commenced operations during 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. The revenue contribution of the Non-Breakeven Stores, as a percentage of total revenue in the corresponding period, was 0.1%, 0.6%, 1.9% and 3.1% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We expect that 21 and 18 of the Non-Breakeven Stores will achieve initial breakeven in 2022 and 2023, respectively.

These Non-Breakeven Stores did not achieve initial breakeven primarily because of three non-mutually exclusive reasons: (i) at the end of the Track Period, certain of the Non-Breakeven Stores had not yet been open for long enough to achieve initial breakeven, having been opened after September 2021, (ii) the COVID-19 pandemic and the related lockdowns and restrictions adversely affected the ability of certain stores to serve customers, and (iii) certain stores did not achieve sales in line with our expectations.

Approximately 9% of the stores that we opened in the Track Record Period achieved cash investment payback during the Track Record Period. This was primarily because our typical cash investment payback period is approximately three to four years, but most of the stores that we opened in the Track Record Period have been operating for less than two years. As a result, these stores have not yet had sufficient time to achieve cash investment payback.

We observe an accelerated initial breakeven period in Beijing and Shanghai, where our stores recorded a typical initial breakeven period of one to two months. We have also observed improving initial breakeven periods in our new growth markets. Our cash investment payback period has also consistently improved across all markets during the Track Record Period. The typical cash investment payback period of stores in Beijing and Shanghai that opened in 2021 is expected to be 32 months, while the typical cash investment payback period of stores in our new growth markets that opened in the same period is expected to be 45 months.

Looking ahead, we expect that as our scale grows, we will be able to leverage greater economies of scale to drive operational efficiencies. Additionally, we will leverage our increasing scale to improve our bargaining power vis-à-vis landlords and suppliers, which will help us lower our operating costs and expenses as a percentage of our total revenues. We also expect that the new stores we open will benefit from increased brand awareness and operating efficiencies as our store network expands, which will help to increase the ability of our stores to break even and become profitable in the future.

## OUR MENU

We are focused on being a pizza expert. We offer over thirty types of pizzas, ranging from global classic styles to local favorites. In addition to classic western fare, such as pepperoni pizza, we have also developed an extensive offering of highly-localized products to serve Chinese palates. To provide customers with a variety of choices and opportunities to trade up their meal, we also offer the most pizza crust options in the market, as well as a complementary range of non-pizza foods. Lastly, our menu contains multiple value tiers, enabling customers to find value for money throughout our menu.

Underpinning our menu is our originality, research and commitment to menu development and localization. We strategically develop and offer new menu items in order to maintain the freshness of our brand and attract more customers. As of December 31, 2021, we led the market in terms of the number of pizza SKUs offered, according to the Frost & Sullivan Report, and we have kept our menu fresh by having launched over 120 items since 2018.

### Our menu items

Our menu offers a diverse range of items that cater to a wide spectrum of customer preferences. Our comprehensive menu may broadly be divided into the following categories: (i) pizzas (featuring a wide range of crusts and toppings), (ii) pasta and rice, (iii) sides, (iv) desserts, (v) drinks and (vi) soups. At present, we offer a unified menu across China, though we are exploring further localizing our menu to the particular tastes of China's various regions.

#### *Our pizza*

Pizza forms the heart of our menu. As of December 31, 2021, we offer customers the widest range of pizza crusts and toppings in the market, according to the Frost & Sullivan Report. Several things set our pizza apart from our competitors, including:

- *Fresh, hand-tossed dough*. Our pizzas use high quality, non-frozen dough, which is hand-tossed and made-to-order at the time a customer places an order, which ensures that our pizza tastes fresh.

- *The widest choice of crusts in the market*. The crusts we offer include classic hand tossed, thin crust, pan crust double decker (with both thick and thin options), as well as a variety of stuffed crusts that have cheese, sausage, sweet potato, meat floss, salted egg yolk or mushroom fillings.

- *Continual menu development and localization.* We have designed a lineup of classic American-style, Asian-themed, Chinese local, and Western-influenced pizzas, such as our teriyaki beef potato pizza (照燒風味牛肉土豆比薩), salted egg chicken pizza (金沙咸蛋黃嫩雞比薩) and durian pizza (果肉榴蓮比薩). These pizzas utilize flavors and ingredients that appeal to the local tastes of our consumers.

- *Wide range of price points.* Our pizzas are broadly categorized as value, classic or indulgent pizzas, which are set at different price points with commensurate variations in toppings, enabling customers to find value for money throughout our pizza menu.

The images below show some of our popular pizza styles:

***Beyond pizza: our pasta and rice, sides, desserts, drinks and soups***

In addition to pizza, our menu features a comprehensive selection of pasta and rice, sides, desserts, drinks and soups. In particular, as of the Latest Practicable Date, we offer:

- *Pasta and Rice*. Customers can choose from multiple pasta and rice options, ranging from western classics such as spaghetti bolognaise, to localized offerings, such as our curry beef rice. We are also well-known for our cheesy bread, baked from the same dough as our pizza.

- *Sides*. Customers can choose from over twenty different sides to complete their meals. We offer a wide range of tasty sides, such as chicken wings in different flavors, roasted beef and lamb skewers, fish bites and potato wedges.

- *Desserts*. We offer a number of desserts, ranging from classic Domino's lava cake to localized offerings such as pineapple pie.

- *Drinks*. We offer a variety of novel, localized drinks, including our grapefruit and jasmine tea and hami melon matcha milk green tea. We also offer bottled drinks, such as water and soft drinks.

- *Soups*. We offer classic western soups, such as clam chowder, beef borscht, and creamy mushroom soup.

Our non-pizza items are designed to complement our pizza offerings and enable our customers to round out their meals. As with our pizzas, our non-pizza items are typically oven-baked, which helps us streamline our store operations.

The images below show some of our popular non-pizza items:

烤翅
Chicken Wings

美乐嫩汁鸡块
Boneless Chicken

滋犇犇烤牛肉串
Roasted Beef Skewer

酥香嫩鱼块
Fish Bites

黄金薯角
Potato Wedges

奶油蘑菇汤
Creamy Mushroom Soup

意大利风情肉酱面
Spaghetti Bolognaise

咖喱牛腩焗饭
Curry Beef Rice

香甜菠萝芝士派
Pineapple Pie

巧克力熔浆蛋糕
Lava cake

哈密瓜抹茶奶绿饮
Hami Melon Matcha Milk Green Tea

红西柚果粒茉莉茶饮
Grapefruit & Jasmine Tea

**Our commitment to keeping our menu fresh**

We are committed to keeping our menu fresh, which is made possible by our market insights, research and commitment to originality. We regularly develop and offer new menu items in order to maintain the freshness of our brand and attract more customers.

***Our track record of successful new products***

Since 2018, we have launched over 120 new menu items. We generally roll out a new pizza every six to twelve weeks, and non-pizza items over a slightly longer timeframe. We have selected this rollout schedule because we believe it is just long enough to give us sufficient time for us to market and for customers to try our new items, and just short enough so that we maintain our image as a pizza brand that invests in continual menu development. Many of the new products that we have introduced during the Track Record Period have quickly become customer favorites, including our durian pizza (果肉榴蓮比薩), crayfish and chicken pizza (小龍蝦酥香嫩雞比薩) and teriyaki beef and potato pizza (照燒風味土豆牛肉比薩).

***Our menu development process***

We develop new menu items or modify our existing menu items based on the changing tastes and preferences of consumers, as well as shifting food and nutrition trends. Menu development is a company-wide effort led by our product development team, which works with our marketing team, supply chain team and operational team to synthesize the intelligence generated by each team. Taken together, we are able to devise new, cost-effective and operationally feasible menu items in response to shifting customer tastes. The principal steps of our menu development process generally comprise:

- *Local market research*. We keenly observe the market to gauge customer trends, including recent internet trends, as well as the performance of other products in the market. We also leverage our data insights about our orders to see what products have typically performed well in the past.

- *Leveraging Domino's global insights*. In addition to gauging local market sentiments, we also look to the international Domino's family to seek inspiration for new products. For example, we frequently look to items that are popular in Japan and South Korea to identify concepts that we can translate for the local market in China. We believe our global perspective is an important element of our success, and has resulted in hit items such as our Japanese eel pizza or Korean fried chicken pizza.

- *Product testing*. We test our products for taste, food safety and quality. First, we conduct taste tests, where our testers evaluate the product on taste, mouthfeel, appearance and overall presentation. We use a voting system to select the most promising products. Second, in addition to taste tests, we test our food for safety, such as by testing for allergens.

- *Viability analysis.* We analyze whether a new product is viable from both a commercial and operational perspectives. We ensure that the new product can be sold at a price that generates high value for money for customers while meeting our own profitability goals. To that end, we conduct a comprehensive cost analysis based on the ingredients and preparation process used.

- *Standardization and execution.* Finally, we create standardized procedures for procuring and cooking the ingredients needed for the new product. Our operational team ensures that the new product can be efficiently prepared frontline staff, after which our product will be formally launched.

- *Marketing and promotion*. Typically, we will conduct promotion and marketing activities in tandem with the launch of our new products. Such activities including in-store, online and outdoor advertising, with a focus on online engagement.

- *Post-launch evaluation*. Critical to our product development process is our evaluation of new products after they have launched. We evaluate how consumers react to the new product by, among others, leveraging our data insights to gauge how frequently and under what circumstances the product is sold. Highly successful products become part of our permanent menu. In this way, we continue to refine our ability to identify, create and deliver new products.

**Our value for money pricing policy**

Value for money is one of our core value propositions. Our prices are lower than that of most comparable international brands and higher than comparable local brands. We believe this price position signifies our accessible, high-quality brand and is highly attractive to our target customers.

Our menu provides customers with a range of options across different price points. For example, although the pricing of our basic pizzas is relatively affordable, customers can upscale their pizza by changing the crust or toppings if they would like a more premium pizza. In addition, customers can also choose from a wide range of complementary sides, including pasta and rice, sides, desserts, drinks and soups, to complete their meal. The breadth of our menu enables us to serve a wide range of customers of different income levels. During the Track Record Period, our average sales value per order increased by 5.8% from RMB80.4 in 2019 to RMB85.1 in 2020, before further increasing by 6.3% to RMB90.5 in 2021. Our average sales value per increased by 6.9% from RMB89.0 for the first half of 2021 to RMB95.1 for the first half of 2022.

Customers may also choose from one of our many combo options, which offer value for money while enabling customers to enjoy a variety of food. We currently offer (i) 1-person combos for solo diners, comprising a rice or pasta, side and a drink, (ii) combos for two, featuring a pizza, side and two drinks, (iii) combos for four, featuring two pizzas, an assortment of sides and four drinks; and (iv) side combos that feature a side and a drink.

We leverage our economies of scale, robust supply chain, procurement capabilities and efficient business model to offer our customers high value for money. Pricing is set and updated periodically based on (i) the spending habits and power of our target customers, (ii) prices of similar products charged by our competitors, (iii) expected market trends and (iv) the cost of food and other supplies. We generally charge customers the same prices across all of the different geographic markets that we serve, although for certain menu items we apply differentiated pricing based on geographic variations in local consumer spending power. We also typically charge customers the same price whether they order through our own online channels or through third-party channels. For more information about how we control costs and manage pricing, see "– Supply chain management – Procurement and supplier management – Price management."

From time to time, we also offer promotional pricing on our products. We offer this pricing during certain weekdays or other major events. For more information about our bespoke, data-driven marketing and promotion strategies, see "– Marketing and promotion".

## OUR EXPERTISE IN DELIVERY

Delivery is part of the DNA of the Domino's brand, which is world-renowned for its excellence in delivery. Consistent with the global identity of our brand, we have deployed Domino's delivery excellence in China. In each of 2021 and the first half of 2022, over 71% of our sales were generated from delivery orders, which was substantially higher than the industry average of approximately 49%, according to the Frost & Sullivan Report. This has provided us with ample experience to further refine and bolster our leadership in delivery.

During the Track Record Period, delivery orders accounted for the majority of our revenue, generating 70.0%, 74.5%, 73.2% and 71.5% of our revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. In 2020, delivery and carryout sales saw relatively rapid growth compared to dine-in sales due primarily to the impact of the COVID-19 pandemic, which increased consumer demand for delivery and carryout services as dine-in options were limited by pandemic-related restrictions. In 2021, as the impact of the COVID-19 pandemic eased, dine-in demand returned to prior levels. We believe there is room for the relative contribution of delivery and carryout orders to grow over the next few years.

### Our 30-minute delivery promise

We care deeply about the experience of our customers and are committed to maintaining the best delivery service standards in the market. We stand behind our commitment and expertise in delivery by offering our customers a 30-minute delivery promise from the time the order is placed. If the delivery takes more than 30 minutes, we give that customer a coupon for a free pizza. For details about how we account for these coupons, please see "Financial information – Critical accounting policies and estimates – Significant accounting policies – Revenue recognition".

We believe that our delivery promise helps us build trust with our customers and enhances our brand. We are the only pizza company in China to offer this promise across all sales channels, according to Frost and Sullivan. During the Track Record Period, we delivered approximately 90% of our orders within 30 minutes, with an average order fulfillment time of approximately 23 minutes. Due to the high percentage of orders fulfilled on time, we did not incur any material costs from gifting our customers coupons in connection with our 30-minute delivery promise.

**Our dedicated rider fleet**

We rely on dedicated riders to fulfil our delivery orders, including both those placed on our own online channels and third-party channels. All of our riders are dedicated riders, meaning that during their shifts with us, they are stationed at our stores and only deliver orders from our stores. This enables us to retain control over the end-to-end delivery experience, enabling us to deliver quality food that is more likely to be hot and fresh, in a timely and reliable way. Moreover, as our orders do not mingle with orders from other restaurants, we are able to limit cross-contamination and ensure the safety of our food. This differentiates us from competitors that use non-dedicated riders serving multiple brands.

Additionally, by using a dedicated rider fleet, we are able to access data about our deliveries, which data would not be available to our competitors relying on online ordering platforms to make deliveries. This data helps us improve our delivery operations, such as by enabling us to fine-tune our delivery routes or optimize distribution of stores in our store network, and underlies our ability to deliver on our thirty-minute delivery promise.

For both orders placed on our own online channels and online ordering platforms, we normally charge customers a delivery fee, although this delivery fee is waived for orders above a certain value on our own online channels.

Our riders are an integral part of our staff. We highly value the contribution of our delivery riders to our business and aim to ensure their safety. Each rider is required to undergo a personal identification verification and screening process before becoming our rider and abide by our service standards. We conduct standardized trainings for our riders, and distribute to our delivery riders a Delivery Safety Work Manual before they make their first trips. Under extreme weather conditions, we suspend all delivery requests to minimize the likelihood of our riders getting injured. We also leverage our strong technology capabilities to prevent delivery riders from unnecessary travel or speeding, which are among the main causes of work-related injuries. For example, our smart delivery system enables optimal task assigning and reduced mileage, and our community GPS guides delivery riders to follow the right route. In addition, we generally provide our delivery riders safe and high-quality e-bikes that are certified with China Compulsory Certification. These e-bikes are maintained or repaired by our contracted e-bike vendors regularly, and the batteries are checked regularly and replaced in efficient charge stations when needed.

For more information about our riders, including how we engage, manage and remunerate them, see "– Employees."

**Smart order dispatch and delivery**

We deploy a smart order dispatch system that automatically matches orders with riders, as well as identifies optimal routes for delivery. This data-driven system is an important element of ensuring that we meet our 30-minute delivery promise. The key functions of this system are:

- *Intelligent rider staffing*. Our smart order dispatch and delivery system intelligently staffs riders based on forecasted store demand. Leveraging both our data insights as well each store management team's local expertise, we forecast store demand based on both historical trends, as well as local community conditions. On the basis of these forecasts, our smart demand and dispatch system is able to ensure that a suitable number of riders is staffed at the store.

- *Efficient rider-order matching*. Our smart dispatch and delivery system efficiently matches riders with orders, ensuring that orders leave the store and reach customers in a timely and safe manner. To do so, the system takes into account the relative position of riders and customers, as well as the status of orders at the store. This enables efficient matching – for example, if two orders with similar destinations will be ready at approximately the same time, the system will match both of those orders to one rider.

- *Route optimization*. Our smart delivery system empowers riders by optimizing their routes and presenting clear navigational guidance. We have built a dedicated mobile app for riders, which they can use to visually see the routes they need to take before leaving our stores, making it easier for them to navigate between our stores and customers. Additionally, the system automatically identifies opportunities for riders to deliver more than one order per ride without compromising the quality of delivery service, increasing the efficiency of our overall delivery process. Because this entire process is digitalized and tracked, our customers are also able to track the location of their order after it leaves the store.

- *Data-driven optimization*. In addition to operational benefits, digitalizing our order dispatch and delivery processes enables us to collect data about the performance of our delivery process, which we analyze to continue to refine and optimize our delivery capabilities.

Our smart dispatch and delivery system generates substantial benefits for customers, riders and our store operations. Our customers are able to enjoy timely and reliable delivery service with full transparency about the status of their orders. Our riders are able to work more efficiently and safely. Our stores are able to effectively handle a high volume of delivery orders. Taken together, our smart dispatch and delivery system helps us meet our 30-minute delivery promise and deliver a differentiated delivery experience to our customers.

## OUR TECHNOLOGY AND DATA INSIGHTS

Technology and data empower our operations. On the front end, customers reach us through our omnichannel online presence. On the back end, our proprietary customer data platform and smart delivery systems help us serve our customers in a personalized, timely and reliable manner.

### Our omnichannel presence

Approximately 95% of our delivery, dine-in and carryout orders in 2021 and the first half of 2022, respectively, came from online channels, which was substantially higher than the industry average, according to the Frost & Sullivan Report. Customers can tap into our omnichannel online presence to easily place delivery, carryout or dine-in orders through our own online channels, which comprise our proprietary app and website, Weixin mini program, official Weixin account. Customers can also place delivery orders on third-party channels, such as Meituan or Ele.me. We believe that our online channels and third-party channels complement one other, enabling us to serve a wide range of customers.

During the Track Record Period, online orders generated a significant majority of our revenue. Within all our online channels, our own online channels generate a growing proportion of our orders, as we generated approximately one-third, two-fifths, half and half of our revenue from our own online channels in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We attribute this trend to the strength of our online channels, which we believe offer a more seamless, engaging and intuitive customer experience, as well as to the attractiveness of our loyalty program, which is exclusively accessed through our online channels. For a tabular breakdown of revenues by channel, please see "Financial information – Major components of our results of operations – Revenue". In terms of cost items, the key difference between our own online channels, third-party online channels and offline channels is that we are charged a fee equal to an agreed percentage of the price of each order placed on a third-party online channel.

#### *Our online channels*

Our online channels refer to our proprietary app and website, as well as our Weixin mini program and Weixin official account. Customers use our online channels to browse our menu, place and track orders, and access our loyalty program. Customers that come to our physical stores also use our online channels to place orders.

We have designed the user interface and experience of our online channels to be invigorating, inviting and user-friendly. We believe that our online channels deliver a superior user interface and experience that makes it convenient for customers to find the food they want and place new and repeat orders with us. When users open our app, they are presented with images of ongoing promotions, as well as easy access to our full menu. From the menu of our app, customers can easily view images of our food and promotions. Clicking a menu item allows them to customize their selections. For example, if they select a pizza, they can choose the size, crust, and toppings of the pizza.

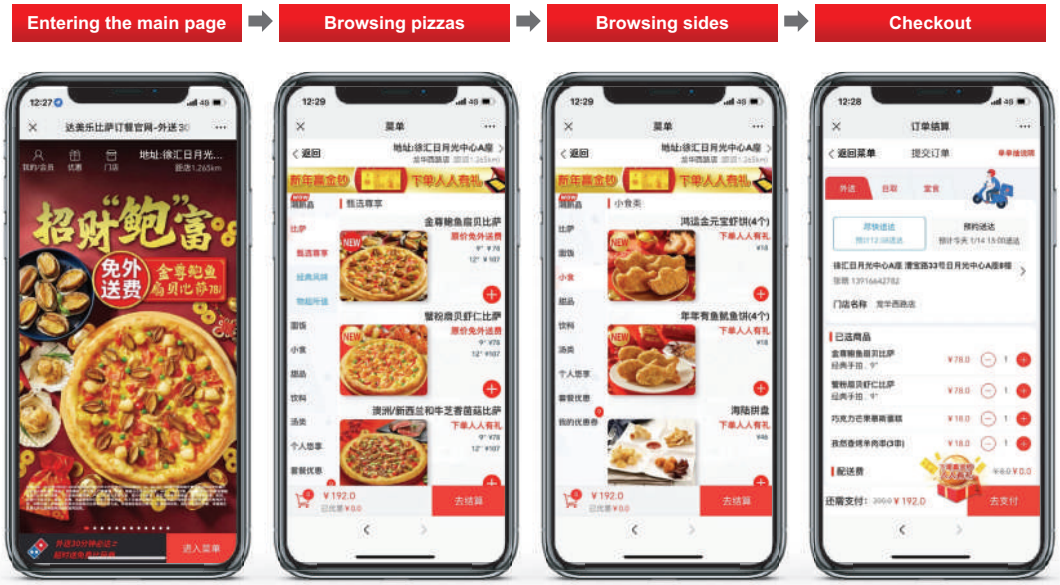
Our online channels also provide exclusive access to our loyalty program, through which members can earn rewards for placing orders with us. Only orders that are placed on our online channels are eligible for earning points through our loyalty program. For more information about our loyalty program, see "– Marketing and promotion – Our loyalty program".

We also leverage the data insights generated on our online channels to better understand and serve our customers. We use our proprietary Customer Data Platform, or CDP, to analyze transactions on our online channels. This enables us to gain a better understanding of our consumers and their preferences, enabling us to fine-tune our menu and marketing strategies, increase our marketing efficiency as well as offer customized promotions to our customers. For more information about how we leverage our CDP, see "– Our technology and data insights – Our proprietary customer data platform."

Through our own online channels, we engage a sizable user base that has been growing rapidly. The number of active users was 1.3 million, 2.3 million and 3.5 million in 2019, 2020 and 2021, respectively, representing a CAGR of 60.3% from 2019 to 2021. The number of active users was 2.5 million in the first half of 2022. The number of monthly active users on our online channels was 0.3 million, 0.5 million and 0.8 million in 2019, 2020 and 2021, respectively, representing a CAGR of 60.6% from 2019 to 2021, before further increasing to 0.9 million in the first half of 2022.

As advised by our PRC Legal Advisor, we are not required by the applicable PRC laws and regulations to obtain any licenses that are subject to foreign investment restrictions in relation to the operation of our online channels. In particular, we are not required to obtain the Internet Content Provider License for the operation of (i) Weixin mini program because it is only used to offer our products and services to customers, and we do not operate the platform on which the mini program is operated, or (ii) our proprietary app and website, since we do not generate revenue from providing Internet information services via the app or the website, but rather leveraging both platforms as a sales and distribution channel to offer our products and services to end customers.

Below are screenshots showing key interactions customers have on our Domino's mobile app, from initial entry, menu browsing, item selection to checkout:



The screenshots below show how our customers can customize their pizzas through our mobile app:

**Choosing from multiple crust options**

**Choosing from multiple additional topping options**

The screenshots below show how our customers can track their orders, including with respect to in-kitchen status:

**In-kitchen order tracking**

**GPS order tracking**

We rely on certain third-party platforms and services, such as cloud services and payment services, to conduct our business, and any interruptions or delays in such platforms and services may impair our normal operations. To mitigate the potential adverse impact of such incident that may occur in the future, we implemented a proprietary private cloud solution to handle part of customer traffic together with the third-party cloud service provider, which allows us to switch all customer traffic to our private cloud if the third-party cloud service provider experiences a network failure again.

***Third-party channels***

Third-party channels are an important way for us to not only introduce our offerings to new customers and build our brand awareness, but also to diversify our sales reach and generate revenue. For example, customers can get to know us through Meituan and Ele.me, through which they can place delivery orders with us. On these third-party channels, we strive to provide customers with the same core Domino's Pizza experience in terms of taste, value for money and timely and reliable delivery service. To that end, our menu and our menu pricing on third-party channels are the same as on our own online channels. Similarly, we also fulfill delivery orders placed on third-party channels with our dedicated rider fleet, and we charge the delivery fees for orders placed through third-party channels to the customer. For our cooperation with these third party channels, we are charged (i) fees ranging from approximately one percent to approximately six percent of the price of each order fulfilled by a third-party online ordering platform and (ii) fees for other advertising and promotion activities, which fees did not account for a material portion of our total advertising and promotion expenses during the Track Record Period. See "Financial information – Major components of our results of operations – Advertising and promotion expenses" for more information.

***Digital payment support***

Consistent with our omnichannel online presence, we accept a wide range of digital payment methods on our online channels, including Alipay and Weixin pay. Customers who purchase from us through third party platforms pay to that platform, which then remits the payment to us. As the vast majority of our orders are settled through non-cash methods, risks related to cash management have been and will continue to be maintained at minimal level. With respect to non-cash payments, for purchases through third-party channels, amounts received are automatically transferred to our corporate accounts by the relevant third party, typically within a few business days. For more information, see "– Settlement and cash management."

**Our proprietary customer data platform**

We have built our proprietary CDP from the ground up to better understand and serve our customers. We leverage our CDP to track data on our own online channels, namely our proprietary online app and website, Weixin mini program and Weixin official account. We use our CDP to collect relevant data from transactions on our own online channels to gain insights about our customers and products. We collect data after obtaining consent from our customers, and we take precautions to safeguard our data. See "– User privacy and data safety" for more information.

Broadly speaking, our CDP generates micro insights that help us better serve our customers, as well as macro insights about consumer and operational trends in general:

- *Micro insights.* Our CDP helps us understand what sort of products our customers like to order. This in turn enables us to provide recommendations and promotions tailored to their taste profile, location, and preferred dining times.

- *Macro insights*. In addition to gauging the preferences of specific customers, the data insights generated by our CDP keep us abreast of general customer trends, such as the popularity of our products or promotional activities. These data insights play an important role in the development of our menu items, our pricing policy and our operational strategies.

For more information about how we apply our data insights to acquire and retain customers, see "– Marketing and promotion".

**User privacy and data safety**

As a consumer-facing company, we take a proactive stance on the protection of user privacy and data security. We adopted a data and network security framework in 2019, which we continue to implement and abide by. We comply with applicable laws and regulations on information security and privacy protection in the China mainland. For more details, please refer to "Regulations – Overview of PRC laws and regulations – Regulations relating to information security and data protection".

We provide our customers with data privacy notices and ensure that they provide data authorization before they can use our apps. These enable customers to understand the types of data that we will collect from them, which includes their name, mobile number, delivery address and historical order information with us. For members of our loyalty program, we may also collect information about their birthday or gender, if they elect to share such information with us. Generally, the data we collect is anonymized, other than certain personal information such as telephone numbers that customers provide with their consent through our own channels or through third-party channels.

Internally, we have formulated and adopted a Data Security Management Policy, a Data Classification and Management Policy and an Information Security Incident Response Plan. We require all of our employees and business partners to strictly adhere to our internal policies governing data privacy and security. Additionally, we provide trainings to both our technical and non-technical staff to emphasize the importance of complying with relevant laws and our internal policies.

We have established a data security committee that assumes the overall responsibility of data privacy and security and oversees our data management framework. We have also built a data security team focusing on the management and maintenance of our data protection mechanism. To maintain a sound privacy protection system, we leverage our technological capabilities and have been building our platform on a reliable technology architecture. We focus on monitoring and responding to security issues that arise in our daily operations. To that end, we have security measures at every level of our organization. For example, at the

individual level, we install antivirus software and data leakage prevention software on all of our employees' computers, while at the enterprise level, our e-commerce platform is built and tested to withstand hacker attacks. We have attained Classified Protection of Information Security Level 3, which testifies to our data security capability. We store all data, other than limited employee information, such as names and work email addresses, within the PRC. We comprehensively classify the data in our systems by the level of confidentiality.

As of the Latest Practicable date, we have yet to experience any major data security issues. For more information about the data security risks that we face, please see "Risk factors – Risks related to our business and industry – Security breaches and attacks against our systems and network, and any potentially resulting breach or failure to otherwise protect confidential and proprietary information could damage our reputation and negatively impact our business, as well as materially and adversely affect our financial condition and results of operations".

## SUPPLY CHAIN MANAGEMENT

We have built a robust supply chain that ensures the freshness and quality of our ingredients. Our supply chain features four distinct stages: (i) procurement, by which we acquire goods from suppliers, (ii) processing at our central kitchens, (iii) preparation at our restaurants, and (iv) delivery to our customers. We have implemented a stringent quality assurance system to oversee every stage of our supply chain. We closely monitor and vet our upstream suppliers, logistics service providers, central kitchens and frontline stores. Our supply chain is powered by digitalization and automation technologies that enable us to forecast supply and demand and optimize pricing.

### Procurement and supplier management

Procurement is the first step of our supply chain. We have a centralized procurement policy to ensure that we (i) meet our procurement needs, (ii) carefully select and vet new suppliers, (iii) regularly inspect and evaluate existing suppliers, and (iv) negotiate competitive purchase terms with suppliers.

#### *Our procurement needs*

In connection with our operations, we purchase both food ingredients, as well as non-food supplies, from our suppliers. The ingredients we purchase primarily include the dairy products, chicken, pork, sauces, condiments and flour that we use to prepare our pizzas and other food items. The non-food supplies we purchase include, among others, food packaging, store equipment and pest control supplies, which we use in the course of operating our stores.

We have strict rules about the quality of the supplies we procure, especially with respect to food ingredients. Our in-house quality requirements reflect local food safety laws and regulations, together with standards set by our own headquarters. In addition to safety standards, we have also set standards for ingredients to ensure that we maintain the distinctive taste of the Domino's brand. To that end, we follow specifications set by Domino's

International, who give us discretion to select our own suppliers so long as they meet food safety and quality requirements. At present, the vast majority of our product needs are met domestically, but we also import certain ingredients. For example, we currently import cheese, potato products and pizza sauces from foreign suppliers to maintain our distinctive Domino's taste in a cost-effective way.

We take a data-enabled approach to calculating our demand for purchases. We maintain rolling forecasts of our purchasing demand. These forecasts are calculated by analyzing historical sales data and future demand projections. We then use regression analysis to determine how much of a particular food or non-food good we need to purchase in a given time period in order to replenish the stock reserves. Importantly, for the purpose of calculating our procurement needs, we also consider the need to maintain and replenish our reserve stocks. Typically, we keep stock of two weeks' worth of both fresh and processed ingredients. Taken together, our data-enabled forecasts enable us to steer clear of supply shortages and maintain healthy stock levels.

***How we choose and vet suppliers***

We have a standardized system to choose and vet suppliers. We prefer suppliers who work with other well-established international food and beverage companies, because we find that such suppliers are typically of higher-quality and cost-effective. We also generally look for cost-effective suppliers, such as those who are located close to our central kitchens. Once we identify a potential supplier, we evaluate them using a stringent selection procedure. If they pass this procedure, we add them to our list of qualified suppliers. We ultimately engage one to three suppliers from our list of qualified suppliers through a competitive bidding process, which usually takes place once per year.

To become one of our qualified suppliers, a new supplier must pass a set of stringent procedures. These procedures consist of the following steps:

- *Qualification review*. We maintain a roster of qualified suppliers. If a potential supplier is listed on our roster, we proceed to evaluate them pursuant to our selection procedures. If, however, a supplier is not on the roster, our quality assurance team will conduct a comprehensive audit of the supplier by reviewing its licenses, permits, organizational structure, production line, control flowcharts and product standards, among other key considerations. New suppliers who pass this audit are added to the roster of qualified suppliers; those who fail are eliminated from our selection process if they are not able to rectify their faults.

- *Sample testing.* Qualified suppliers proceed to produce sample products for us to test. As discussed under "– Our Procurement Needs," we have strict standards for each product that we procure. Suppliers who produce samples that meet our standards proceed to the next step of our selection process.

- *Trial production.* We then ask potential suppliers to begin trial production and deliver the product to us at scale to ensure that their overall quality is consistent with the sample we tested.

Once a supplier passes the above procedures, they will be added to our list of qualified suppliers. To formally enter into a contract, we will conduct a competitive bidding process among our qualified suppliers, where we evaluate them on cost, product quality and other factors. We will then enter into a contract with the winner of this competitive bidding process. For more information about our contract terms with suppliers, see "– Key terms of our supply agreements" below.

***How we manage existing suppliers***

In addition to vetting new suppliers, we also regularly evaluate existing ones. We first assess the risk of a particular supplier – we divide them into high, medium and low risk categories. We then conduct announced, unannounced and on-site audits of our suppliers on an annual basis (to the extent permitted during the COVID-19 pandemic), with the frequency of such audits commensurate with our previous risk assessment of the supplier. Internally, our warehouses and restaurants also closely inspect goods delivered by suppliers – we return goods that do not conform to our requirements or food safety laws or other regulations to the supplier and generally do not pay for such goods.

We assess the risk profile of our suppliers every two years. Our risk assessment covers four aspects: (i) the supplier's qualifications, certifications and other customers, including whether they supply to other large, international catering companies who may also hold them to stringent standards, (ii) product type – for example, high pH and high moisture ingredients are considered high risk, (iii) the quantity of the ingredient as used by us – higher quantities imply higher risk, and (iv) the importance of the ingredient to our brand – for example, as dairy products are crucial to our brand, we categorize dairy product suppliers as higher risk. On this basis, we categorize our suppliers as high, medium and low risk.

Our audits, as well as our annual and semi-annual reviews, are an important tool for evaluating suppliers. High-risk suppliers are audited by us two to three times a year, while low-risk suppliers are typically audited once every two to three years. During the audit, we conduct an extensive audit based on internationally-recognized food safety frameworks, such as HACCP and the BRCGS Global Food Safety Standard. Factors we look at include: (i) the organizational structure of the suppliers, including whether there is a dedicated food safety team, (ii) the supplier's food safety plan, (iii) whether the food supplier has a food quality and safety management system, together with internal control procedures, (iv) on-site facilities (in the case of on-site inspections), such as the production line, hardware facilities, and physical food protection measures, (v) the supplier's product control system, from labelling to allergen management, packaging, and testing, (vi) whether the supplier's staff operate in accordance with laws, regulations and standard, and (vii) the supplier's personal management programs, such as their training procedures and the implementation and effectiveness thereof.

To the extent we identify problems with a supplier through our audits, monthly reports, or through product issues reported at our warehouses, we liaise with the supplier to see if they are able to rectify the issue. We will terminate our relationship with suppliers who cannot meet our standards. If a backup supplier is available, we will seek to promptly replace the noncompliant supplier with a backup supplier. If no backup suppliers are available, we strengthen management of the noncompliant supplier and closely inspect products delivered by such supplier while we look for a new supplier. During the Track Record period, we have not terminated any relationships with our suppliers due to audit failures.

We have implemented an anti-bribery and corruption policy requiring our employees to avoid and declare any actual or potential conflict of interest and forbidding them from receiving any kickback from our suppliers. We communicate our anti-bribery and corruption policy to our suppliers. To the best knowledge of our Directors, we had not encountered any incident of our employees receiving kickback from our suppliers during the Track Record Period.

***Price management***

We seek to negotiate favorable terms with our suppliers that reflect the latest market conditions and our own needs. To this end, our key strategies include: (i) using data analysis to monitor price fluctuations, (ii) taking a flexible approach to negotiate the length of our contracts, (iii) leveraging our scale and (iv) adopting a multi-supplier approach to remain nimble.

*Data-powered price monitoring.* We monitor price levels at a given time. In particular, for any given ingredient, we analyze, among others, (i) our own projected needs, (ii) computed market and supply balance based on market information, (iii) consumer price index trends, (iv) industry reports about market trends, and (v) shifts in the international and economic and political environment. This comprehensive analysis generates a projected price that we use as a benchmark when negotiating with suppliers.

*Flexible approach to contract length.* In addition to the informational advantages gleaned from our pricing forecast system, we also take a flexible approach to the length of our contract terms. We typically enter into one-year contracts with our suppliers, but this duration varies depending on market conditions, as well as the needs of our stores.

*Leveraging our scale.* We believe we are able to obtain favorable prices from suppliers as we generally conduct centralized procurement in large volumes, with centralized delivery to our central kitchens.

*Multi-supplier strategy*. We generally aim to have multiple suppliers for a given ingredient or good. This encourages competition between the suppliers, which results in more favorable purchase terms for us, as well as more robust supply stability.

During the Track Record Period, prices of certain goods, such as beef and pork, have increased, and are expected to continue to grow at a moderate rate in the future. See "Industry – Cost of raw materials and labor." The table below sets forth the sensitivity analysis of the impact to our results of operations during the Track Record Period from the fluctuation of the raw materials and consumables used. The range of fluctuations is based on historical fluctuations of key raw materials of our operations. See "Industry overview – Cost of raw materials and labor" and "Financial information – Major components of our results of operations – Raw materials and consumables cost" for more information.

| | Impact on our loss before tax for the year ended December 31, | | | Impact on our loss before tax for the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *(RMB millions)* | | | *(RMB millions)* | |
| **Assuming our raw materials and consumables cost increased/decreased by:** | | | | | |
| +/– 1% | +/– 2.3 | +/– 3.1 | +/– 4.3 | +/– 2.0 | +/– 2.5 |
| +/– 2% | +/– 4.6 | +/– 6.2 | +/– 8.5 | +/– 4.1 | +/– 4.9 |
| +/– 5% | +/–11.4 | +/–15.5 | +/–21.3 | +/–10.2 | +/–12.4 |
| +/– 10% | +/–22.8 | +/–31.1 | +/–42.6 | +/–20.4 | +/–24.7 |

As a result of the foregoing price management measures, we have been able to secure contracts on favorable terms with suppliers and control our costs, despite the increase in the prices of food materials in the PRC. Our raw materials and consumables cost, of which a significant portion is the cost of meat products, dairy products and sauces, represented 27.3%, 28.1%, 26.4%, 26.6% and 27.2% of our revenue in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, representing a relatively flat trend. See "Financial information – Major components of our results of operations – Raw materials and consumables cost" for more information". At the same time, we are also focused on our menu development and our trade-up strategies to deliver value for money to our customers. In view of the foregoing, we believe that the increases in the prices of food materials have not materially impacted our financial performance during the Track Record Period.

***Key terms of our supply agreements***

Our supply agreements typically include the following salient terms:

- *Product specifications.* Our agreement will set forth the specific requirements that we have with respect to a particular SKU, including with respect to product quality and safety.

- *Price.* We take a flexible, negotiated approach to pricing. Accordingly, in certain of our agreements, we may stipulate the purchase price in the agreement to lock in a favorable price. For other agreements where the price of the product in question is more volatile, we may use a price adjustment mechanism in the supply agreement.

- *Date of delivery.* For some products, we accept a range of delivery dates, while for others, we specify particular dates.

- *Delivery address.* Generally, products are delivered to our central kitchens. See "– Our central kitchens" below for more information.

- *Inspection and acceptance*. We generally inspect products upon delivery, and we are entitled to refuse to accept shipment and provide payment if the products do not match the product specifications.

- *Payment terms.* Payment is generally due within a set term after our satisfactory inspection and acceptance.

***Our suppliers***

We had 123, 128, 148 and 131 qualified suppliers as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. The duration of our business relationship with our suppliers was generally three years as of June 30, 2022. Purchases from our top five largest suppliers in each of 2019, 2020, 2021 and the six months ended June 30, 2021 amounted to RMB81.6 million, RMB151.3 million, RMB209.3 million and RMB136.4 million and accounted for 27.3%, 28.5%, 29.6% and 34.1% of our total purchases for the respective periods. To the best of our knowledge, none of our Directors or their respective close associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the issued Shares) had any interest in any of the Company's five largest suppliers during each year or period of Track Record Period. The tables below set forth information about our top five suppliers for the periods indicated.

*For the six months ended June 30, 2022*

| **Rank** | **Supplier** | **Products/Services Purchased** | **Year business relationship commenced** | **Purchase amount** *(RMB'000)* | **Percentage of total purchases** |
|---|---|---|---|---|---|
| 1 | Supplier A | Dairy products and sauce | 2011 | 49,275 | 12.3% |
| 2 | Supplier B | Condiments | 2017 | 30,779 | 7.7% |
| 3 | Supplier C | Meat products | 2020 | 21,056 | 5.3% |
| 4 | Supplier D | Sauces | 2020 | 18,229 | 4.6% |
| 5 | Supplier G | Packaging products | 2014 | 17,102 | 4.3% |
| **Total** | | | | **136,441** | **34.1%** |

*For the year ended December 31, 2021*

| Rank | Supplier | Products/Services Purchased | Year business relationship commenced | Purchase amount *(RMB'000)* | Percentage of total purchases |
|---|---|---|---|---|---|
| 1 | Supplier A | Dairy products and sauce | 2011 | 85,692 | 12.1% |
| 2 | Supplier B | Condiments | 2017 | 46,988 | 6.7% |
| 3 | Supplier C | Meat products | 2020 | 27,625 | 3.9% |
| 4 | Supplier D | Sauces | 2020 | 24,838 | 3.5% |
| 5 | Supplier E | Poultry | 2017 | 24,205 | 3.4% |
| **Total** | | | | **209,348** | **29.6%** |

*For the year ended December 31, 2020*

| Rank | Supplier | Products/Services Purchased | Year business relationship commenced | Purchase amount *(RMB'000)* | Percentage of total purchases |
|---|---|---|---|---|---|
| 1 | Supplier A | Dairy products and sauce | 2011 | 59,821 | 11.3% |
| 2 | Supplier B | Condiments | 2017 | 34,590 | 6.5% |
| 3 | Supplier E | Poultry | 2017 | 22,175 | 4.2% |
| 4 | Supplier F | Processed meat products | 2011 | 18,410 | 3.5% |
| 5 | Supplier G | Packaging products | 2014 | 16,327 | 3.1% |
| **Total** | | | | **151,323** | **28.5%** |

*For the year ended December 31, 2019*

| Rank | Supplier | Products/Services Purchased | Year business relationship commenced | Purchase amount *(RMB'000)* | Percentage of total purchases |
|---|---|---|---|---|---|
| 1 | Supplier A | Dairy products and sauce | 2011 | 29,566 | 9.9% |
| 2 | Supplier B | Condiments | 2017 | 18,548 | 6.2% |
| 3 | Supplier H | Food ingredients | 2012 | 11,529 | 3.9% |
| 4 | Supplier I | Delivery services | 2016 | 11,347 | 3.8% |
| 5 | Supplier J | Food ingredients | 2016 | 10,590 | 3.5% |
| **Total** | | | | **81,580** | **27.3%** |

***Our track record of procurement stability***

During the Track Record Period, we did not experience any material shortage, delay or interruption with respect to the supply of food ingredients or non-food supplies from our suppliers, any material breach or early termination of our contractual arrangements with suppliers which materially affected our business operations, or any material fluctuations in the price of food ingredients or non-food supplies.

**Our central kitchens**

After procurement, the next key stage in our supply chain is our central kitchens, which we use to centralize the procurement, processing, distribution and quality control of our food ingredients and other supplies. The vast majority of the ingredients and other supplies that we procure are delivered by suppliers (or by third-party logistics firms) to our central kitchens. We currently have three central kitchens serving Northern, Eastern and Southern China. These central kitchens meet our current store needs, with their utilization rates ranging from 43% to 95% in 2021 and 55% to 82% in the first half of 2022. For details, see "– Production capacity and utilization of our central kitchens" below.

***The functions of our central kitchens***

As an intermediary staging ground between our suppliers and our store operations, kitchens are the backbone of our supply chain, empowering us to achieve the "seven rights", namely to deliver the right product, in the right quality, the right quantity and the right condition, to the right place at the right time at the right price. To that end, central kitchens primarily perform three key functions:

- *Pizza dough preparation*. Our pizza dough is prepared in our central kitchens. Through our enterprise resource management software, our central kitchens work closely with our stores to produce the amount of dough needed for our store operations. By preparing our pizza dough in our central kitchens, we ensure the consistent high quality of our pizza dough across all of our stores. This differentiates us from many of our peers, who make their pizza dough in each store, causing variations in quality between different stores.

- *Food processing*. Besides pizza dough, our central kitchens in Shanghai and Sanhe, which respectively serve Eastern China and Northern China, also process raw ingredients into pasta and rice. We are exploring the addition of this functionality in our other central kitchens.

- *Distribution*. Central kitchens serve as distribution centers for our stores – the majority of ingredients and supplies used by our stores are first routed through our central kitchens, with the exceptions being heavy machinery (such as our ovens) or, in the case of our Shenzhen stores, certain perishable vegetables supplied by a local supplier. The goods that central kitchens distribute include unprocessed food ingredients, processed food ingredients (as described above), and non-food supplies, such as food packaging materials, office supplies and uniforms.

- *Storage*. Central kitchens also function as storage centers for our stores. In addition, we typically stock in reserve two weeks' worth of processed foods and fresh food in case of any disruptions to our procurement processes – these reserve stocks are also stored in our central kitchens.

We pride ourselves on the high degree of cleanliness in our central kitchens. Our employees are required to undergo a comprehensive disinfection procedure before starting work in each central kitchen, including by wearing protective uniforms, disinfecting their uniforms and shoes and washing their hands.

***How our central kitchens add value***

Central kitchens promote standardization of our food processing procedures and enable us to maintain consistency in the taste and quality of our food. They enable us to serve the same, high-quality dough across all of our stores. Additionally, our central kitchens help ensure supply stability at our stores by stocking goods in reserve and centralizing the procurement process.

Our central kitchens also help our stores operate more efficiently. From a food preparation perspective, as certain complex and time-consuming food processing procedures have been performed by our central kitchens, our stores require less labor, and can prepare food more quickly with the semi-processed ingredients provided by our central kitchens. From an economic perspective, as we only need to install large and sophisticated cooking equipment in our central kitchens, our central kitchens help us reduce the initial capital expenditure for

opening a new restaurant, as well as ongoing rental expenses, thereby enhancing the scalability of our business. Our central kitchens also enables us to negotiate for better discounts for our food ingredients due to bulk shipping.

***How our central kitchens serve our stores***

Each of our central kitchens serve Domino's Pizza stores within a 350 kilometer radius. As of the Latest Practicable Date, we had three central kitchens:

- Our Sanhe, Hebei central kitchen covers our operations in Northern China, and served our stores in Beijing and Tianjin during the Track Record Period;

- Our Shanghai central kitchen covers our operations in Eastern China, and served our stores in Shanghai, Hangzhou, Suzhou, Nanjing, Wuxi and Ningbo during the Track Record Period; and

- Our Dongguan, Guangdong central kitchen covers our operations in Southern China, and served our stores in Guangzhou, Shenzhen, Foshan and Dongguan during the Track Record Period.

We do not impose a limit on the number of stores that a particular central kitchen can serve. Instead, we typically invest in expanding the capacity, equipment and staffing of a central kitchen to meet increased store demand. Nevertheless, when evaluating a potential site for a new store, proximity to a central kitchen is an important consideration. We also periodically review whether it would be economical to build new central kitchens to replace those in existing markets or to support operations in new markets. We believe that our current central kitchens can adequately service our existing stores' and new stores' needs.

In general, central kitchens act as distribution centers for our stores and help us keep our stores stocked. Other than heavy equipment (such as ovens) and certain perishable vegetables, all of the products used by a store in its operations are distributed by the central kitchen. Typically, stores place orders for ingredients and other supplies with our central kitchens every few days.

We ensure that our central kitchens are highly responsive to our stores' shifting levels of demand by deploying a digitalized enterprise resource planning system that integrates our stores and central kitchens. This ERP system centralizes stores' orders for food ingredients and other supplies, allowing our central kitchens to easily prepare orders for delivery to our stores. Our ERP system ensures that central kitchens' procurement and distribution efforts are matched to the actual needs of our stores. This maximizes efficiency while ensuring that our stores have what they need to serve our customers. For more information about our ERP system and, more generally, the digitalization and automation of our supply chain, see "– Digitalization and automation" below.

***Production capacity and utilization of our central kitchens***

We currently have three central kitchens serving Northern, Eastern and Southern China. These central kitchens meet our current store needs, and we believe we can expand their capacity or build new central kitchens to meet our future store needs. The following table sets forth information of the production capacity, production volume and utilization rate of our own central kitchens by geographic location during the Track Record Period.

| Location | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | Production Capacity | Utilization Rate | Production Capacity | Utilization Rate | Production Capacity | Utilization Rate | Production Capacity | Utilization Rate | Production Capacity | Utilization Rate |
| | *(million kg, except for percentages)* | | | | | | | | | |
| Eastern China | 2.2 | 68% | 2.2 | 90% | 3.3 | 71% | 1.7 | 68% | 1.8 | 68% |
| Northern China | 2.2 | 57% | 2.2 | 74% | 2.2 | 95% | 1.2 | 93% | 1.7 | 82% |
| Southern China | 1.8 | 10% | 1.8 | 19% | 1.8 | 43% | 0.9 | 43% | 0.9 | 55% |
| **Total** | **6.2** | **48%** | **6.2** | **64%** | **7.3** | **71%** | **3.8** | **70%** | **4.4** | **71%** |

*Note:*

(1) Utilization rate is calculated by dividing the actual production volume by the maximum production volume that can be produced per eight-hour shift after taking into account machine cleaning and maintenance time.

We believe the production capacity of our central kitchens adequately meet our needs. The utilization rate of our central kitchens has generally increased during the Track Record Period, driven by the expansion of our store network. In particular, the utilization rate of our central kitchen in Shanghai, which serves Eastern China, increased from 68% in 2019 to 90% in 2020, before decreasing to 71% in 2021 as we increased its production capacity by adding to the size and equipment of the Shanghai central kitchen, before decreasing to 68% in the first half of 2022 amidst the impact of the COVID-19 pandemic and the related control measures in April. Our Shanghai central kitchen resumed production in May 2022. The utilization rate of our central kitchen in Sanhe, Hebei Province, which serves Northern China, increased from 57% in 2019 to 74% in 2020, before further increasing to 95% in 2021. This fell to 82% in the first half of 2022 as we increased the capacity of the Sanhe central kitchen . The utilization rate of our central kitchen in Dongguan, Guangdong Province, which serves Southern China, increased from 10% in 2019 to 19% in 2020, before further increasing to 43% in 2021. Utilization at this central kitchen increased to 55% in the first half of 2022 as we ramped up production in tandem with the growth of our store network. In addition, because of the impact of the COVID-19 pandemic and the related control measures on our Shanghai central kitchen in April, it became necessary for us to enlist our central kitchens in Sanhe, Hebei Province and Dongguan, Guangdong province to service stores originally covered by the Shanghai central kitchen, which also contributed to the higher utilization of our Dongguan central kitchen. As we continue to expand our store network and require more production, we expect to be able to further increase the production capacity by increasing the number of shifts worked at our central kitchens, as well as by increasing the size of and number of machines in them.

**Logistics and transport**

We use a robust logistics infrastructure to move goods from suppliers to our central kitchens and our stores. Generally, suppliers are responsible for the delivery of goods to our central kitchens. However, for deliveries from central kitchens to our stores, as well as a minority of goods that we are required to pick up from suppliers, we cooperate with third-party logistics providers to move goods safely, efficiently and timely through our supply chain. Currently, each of our three central kitchens is typically served by two or three logistics providers. Our current cooperation model with our third-party logistics providers is that we decide and plot delivery routes, while they provide us with vehicles and drivers.

Through our arrangements with our suppliers and third-party logistics providers, we impose strict guidelines on the safety of food ingredients during transit. In particular, we require vehicles to be equipped with refrigerators so that they can keep frozen ingredients and refrigerated items within certain temperature ranges. Each refrigerated vehicle records the temperature data of its refrigerators during transit, and we inspect and make sure that all goods transported by that vehicle meet our temperature requirements.

**Digitalization and automation**

We are committed to digitalizing and automating our supply chain to improve our operational efficiency. We have digitally integrated the management of our procurement and logistics processes through our ERP system, which tracks the inventory of all food ingredients and other supplies in our supply chain, regardless of whether they are in transit, in our central kitchen, or in our store. In this way, our ERP system allows us to accurately gauge inventory across the entire supply chain.

For procurement, we take a data-enabled approach to calculating our demand for purchases. We maintain rolling forecasts of our purchasing demand. These forecasts are calculated by analyzing historical sales data and future demand projections. We then use regression analysis to determine how much of a particular food or non-food good we need to purchase in a given time period in order to replenish the stock reserves.

Our warehouse management system enables us to plan, organize, staff and control the movement of materials through our central kitchens and other storage locations. We have also adopted technologies, such as voice-directed picking, to improve our picking and inventory accuracy, as well as the productivity and efficiency of our warehouses.

## FOOD SAFETY AND QUALITY CONTROL

We have implemented a stringent quality assurance system to maintain quality at every step of our supply chain, from procurement, to our central kitchens and stores, and delivery to end customers. We have established a Wealth, Health, Safety and Environment working group, comprising our CEO and other management members, that meets on a monthly basis to oversee our food safety practices and programs. We have also adopted food safety standards, as well as training and evaluation procedures, for our staff. From time to time, we have hired third-party companies to conduct food safety assessments of our operations. We have also instituted a responsibility mechanism to all our employees accountable for food safety. At the same time, DPI will conduct food safety audits on an annual basis in the form of on-site audits (to the extent permitted during the COVID-19 pandemic) of our suppliers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material food safety issues in China.

### Procurement and supplier quality control

Before we engage a supplier, they must pass our stringent selection procedures, which include background and qualification checks, sample testing and trial production. In addition, we regularly evaluate our suppliers by conducting risk profile assessments and periodic announced and unannounced audits that typically involve on-site visits (to the extent permitted during the COVID-19 pandemic). If a supplier fails to meet our requirements and is unable to rectify their faults, we terminate our engagement with them. In addition, we inspect food ingredients that we receive from our suppliers to ensure their quality. If the ingredients fail to meet our requirements, we return them to the suppliers. Our stringent evaluation of our suppliers, as well as the ingredients we receive from them, help ensure that the ingredients we procure meet our quality control standards. For more information about how we manage our suppliers, see "– Supply chain management – Procurement and supplier management".

### Logistics quality control

For most food ingredients, we rely on our suppliers to manage the logistics of delivering those ingredients from their warehouses or production sites to our central kitchens or stores. For those deliveries, we hold our suppliers accountable for ensuring that the ingredients are transported under suitable conditions, and if there are any issues with the ingredients upon arrival, we return them to the supplier. We are responsible for the delivery of a limited number ingredients from suppliers to our central kitchens, as well as for the delivery of food ingredients from our central kitchens to our stores. To fulfil those functions, we rely on third-party logistics providers. We engage such providers on terms that require them to observe our safety standards. We believe that these standards help ensure that our ingredients are transported through our supply chain in a safe manner. For more information about how we manage our logistics and transport functions, see "– Supply chain management – Logistics and transport".

**Central kitchen and restaurant quality control**

We have implemented internal guidelines about maintaining food safety and hygiene in the operation of our central kitchens and stores, which our staff are required to follow. These guidelines cover, among others, personal hygiene, the inspection and safe storage of food ingredients, food temperature control, cleaning and sanitizing, use of kitchen equipment and detergent, handling ice cubes and pest control. Our staff are required to wear uniforms and maintain strict personal hygiene and tidiness. We routinely inspect and maintain the cleanliness of our restaurants, utensils and kitchen equipment. For more information about our central kitchens, see "– Supply chain management – Our central kitchens".

**Food delivery quality control**

We deliver food to our customers using a team of dedicated riders, which enables us to retain control over the efficiency and quality of our deliveries. We use data to match orders to riders and plot optimal delivery routes, which helps our riders deliver food in an efficient, timely and reliable manner, ensuring that food is delivered to our customers in a fresh condition. For more information about our delivery prowess and our dedicated riders, see "– Our expertise in delivery".

## MARKETING AND PROMOTION

We seek to understand and engage new and returning customers through tailored marketing and promotion activities that are powered by analytics. We attract new customers through a combination of marketing content published through online and offline channels. We foster the loyalty of returning customers by encouraging them to join our loyalty program, as well as offering them coupons and other promotions that are bespoke to their preferences. Our philosophy is that our marketing and promotion efforts should be centered around engaging customers in fun and creative ways. Underpinning our efforts are our rich data insights about customers' preferences, which we have gleaned by analyzing how customers engage with us.

**How we attract new customers**

We are focused on engaging potential customers and communicating our brand personality, namely that we are approachable, reliable and smart. We deploy carefully selected marketing and promotional activities to attract new customers to try our offerings.

***Marketing activities***

We market and advertise our offerings and promotional activities through a diverse mix of online and offline media. We tailor our advertising efforts to specific use cases. For example, we use different strategies when advertising in a city to which we have recently expanded, as compared to cities where we have an established presence.

*Marketing through online channels*

Most of our marketing is done through online channels, which we use to dynamically engage customers. We currently have official Weixin and Weibo accounts, which we use to share information about new menu items, promotional videos, promotional events and other marketing events. Besides our own social media accounts, many of our loyal customers have also promoted our offerings on other social media channels, such as Xiaohongshu, generating word-of-mouth advertising for us.

We believe providing our customers with engaging and fun content will help draw customers to our offerings. Accordingly, we regularly provide customers the opportunity to play minigames through our Weixin official account or in partnership with third-party providers. These minigames feature the ability to unlock rewards, such as coupons, which customers can spend at our stores. For example, in July 2021, in tandem with the Tokyo Olympics, we launched a minigame on our Weixin official account whereby customers could compete in sprinting, cycling and long jump events as a Domino's rider—customers who achieved certain point totals could unlock vouchers for free pizzas. Our game-based content provides a differentiated interaction experience for customers, which boosts our branding and encourages them to visit our stores.

In addition to our own social media accounts, we also purchase advertisements on a diverse range of online and offline channels. Online, we purchase advertising on media platforms (such as Weixin), news apps (such as Jinri Toutiao) and music platforms (such as NetEase Cloud Music). We expect that as our scale grows, increasing our ability to spend on marketing, we will purchase advertising on an even more diversified slate of online channels.

*Marketing through offline channels*

Although we are focused on marketing through our online channels, we also conduct strategic marketing through offline channels. In new cities to which we have recently expanded, we tend to purchase advertising space and media close to new stores. However, as our presence in the city grows, we adopt a broad approach to build an offline presence around the city. For example, when we first expanded to Shenzhen and had limited stores, we took the strategic approach and purchased offline advertising space around our new stores. However, in the past year, after we grew the number of stores in Shenzhen to over fifty stores, we began investing in advertisements in subway stations to build our brand across the city.

***Promotional events and rewards***

An important part of our marketing and promotion strategy are our promotional events, which give customers a chance to win rewards. In terms of timing, we launch promotional events in tandem with national holidays and sport events, such as National Day or the Olympics. Additionally, we also have recurring events, such as our weekly "Jie Er Lian San (接二連三)", or "Tuesday and Wednesday Discount" promotional event. Customers can also take part in promotional lucky draws through our proprietary app or website, or through our Weixin official account.

Our promotional events are designed to give customers a chance to derive even greater value for money from our menu. We have a wide range of reward structures. For example, customers can win free pizzas (whether standalone, or through as a buy one get one free reward), upgrades (such as from a 9-inch pizza to an 12-inch pizza, or crust upgrades). For certain promotional events, we also partner with third parties to offer differentiated rewards.

**Our loyalty program**

We primarily foster customer loyalty through our loyalty program, which customers access exclusively through our proprietary app and website, Weixin mini program and official Weixin account. Through this program, customers are able to earn award credits for placing orders, which points may be exchanged for rewards, such as order discounts or discounted food items. In addition to redeeming their points, our customers also receive promotions that are bespoke to their preferences. We encourage customers to join and participate in our loyalty program so they can take advantage of their redeemable award credits the customized rewards we offer, and we believe our loyalty program fosters loyalty to our brand. For details about how we account for these award credits, see "Financial information – Critical accounting policies and estimates – Significant accounting policies – Revenue recognition".

Through our loyalty program, we engage a vast base of customers. Our loyalty program had 2.4 million, 4.0 million and 6.1 million total members as of December 31, 2019, 2020 and 2021, respectively, representing a CAGR of 60.0% from 2019 to 2021, before further increasing to 7.0 million as of June 30, 2022. The number of our active loyalty program members has increased commensurately, and we had 1.4 million, 2.1 million, 3.0 million and 3.2 million active loyalty program members as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

***How we encourage customers to join our loyalty program***

We have automated our customer engagement to encourage customers to join our loyalty program. On our own online channels, after a non-member customer places an order, we automatically determine whether they are a member — if not, we will extend them an in-app pop-up to invite them to become a member. Similarly, after a customer's order has been fulfilled, we send non-members Weixin or SMS messages to them to invite them to join our loyalty program. Lastly, each of our stores has an exclusive QR code, which customers can scan to follow us on Weixin and join our loyalty program.

***The perks of being a loyalty program member***

Loyalty program members earn award credits by placing orders on our own channels. Customers can also earn award credits by referring new customers to join our loyalty program. These points may then be exchanged for a wide range of easy-to-use rewards.

We offer a tiered loyalty membership program, with three different tiers. Members are placed into each tier depending on how many points they have earned over the past year (calculated on a rolling basis). We believe that implementing a tier system incentivizes customers to become loyal to our brand. Our tier system is designed to encourage customers to become repeat customers, and reward existing repeat customers.

In terms of rewards, our rewards are categorized into (i) the welcome reward, (ii) progression rewards, and (iii) redemption rewards:

- *Welcome reward*. By joining our loyalty program, customers immediately earn points and coupons for discounted or free menu items worth up to a certain dollar figure.

- *Progression rewards*. After earning their welcome reward, customers automatically earn rewards for progressing further through our tiered membership structure. For example, customers earn a one-time reward for earning enough points to become Tier 2 members.

- *Redemption rewards*. Customers can also redeem their rewards for (i) credits, which may be used as payment for orders placed on our proprietary app or website, or our Weixin mini program, (ii) discounted menu prices, or (iii) gift cards that they can share with their friends.

***Data-driven, bespoke marketing and promotion***

Our CDP provides us with robust insights about our customers' preferences, which we leverage to deliver bespoke promotions and activities. Our bespoke promotions are designed to enable each customer to easily access the offerings from us that such customer desires. We believe this is an important way to improve customer retention. For more information about the technical aspects of our CDP, please see "– Our technology and data insights – Our proprietary customer data platform".

Our CDP helps us evaluate our marketing and promotional activities, including the minigames, social media posts, online and offline advertising described above. By leveraging our CDP and seeing how customers respond to these marketing and promotional activities, we are able to determine the conditions under which such activities are successful. In this way, our CDP helps us generate marketing and promotional activities that are responsive to actual customer reception, improving our marketing and promotional efficiency.

The other use case for our CDP capabilities is providing customers with bespoke promotions. As customers place orders on our platform, we gradually build up a customer profile based on their order history. This enables us to identify each customer's preferences across a wide range of variables. We can then offer bespoke promotions and coupons responsive to those preferences.

## OUR CUSTOMERS

### Our customers

As an operator of a pizza store network, we have a large and fragmented customer base. We sell our products directly to consumers through an extensive network of directly operated pizza stores across China. The revenue we derived from our five largest customers in each of 2019, 2020, 2021 and the six months ended June 30, 2022 accounted for less than 1.0% of our total revenue in the respective periods. All of our five largest customers are independent third parties.

### Customer service

We strive to achieve 100% customer satisfaction. We deeply value our customers' feedback, which we take into account to improve our performance. We have a sophisticated in-house customer service center that works closely with our stores. Whenever an issue arises, our customer service center is able to liaise with our stores directly to solve the issue in a timely and efficient way. We undertake to meet the ISO 9000 standards.

In addition, we encourage customers to provide feedback to us through various channels, including our customer service hotline, reviews on third-party channels, and comments or private messages to our social media accounts. We make it a priority to promptly respond to every single enquiry or complaint that we receive from our customers. Our marketing department primarily responds to customer complaints that we receive through online channels, while our customer service center responds to complaints that we receive through our customer service hotline and/or third party channels. In terms of addressing complaints, our call center collates and integrates customer complaints from all channels and shares them with operational management at the relevant stores and departments – these complaints are tracked to ensure and marked with follow-up actions to make sure that complaints are addressed. During the Track Record Period, over 90% of the customer enquiry calls that we received were promptly resolved over phone.

On a more holistic level, key members of our management team–including our chief operating officer, chief marketing officer and our general managers–reviews the analyses and summaries of customer feedback every month to formulate strategies for improving our customer satisfaction. If there is a food safety complaint, our quality assurance and supply chain teams are also engaged to investigate and ensure that any issues are rectified.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material customer complaint with respect to any of our restaurants or products.

## COMPETITION

According to the Frost & Sullivan Report, the China pizza market is highly concentrated, with the top five players accounting for 51.6% of the market share in terms of revenue in 2021, despite there being over 100 brands in the China pizza market at the end of 2021. Within the China pizza market, the pizza delivery market is also highly concentrated, with the top five players accounting for 47.5% of all food delivery sales within the China pizza market.

Players in the China pizza market compete on food quality and consistency, value for money, customer service, store locations, supply of quality food ingredients, the availability and quality of delivery, carryout and dine-in services, brand recognition, and other factors. We primarily target the mid- to high-end market with a broad guest base in major cities in China, and we compete against other chain and single-store western cuisine restaurants. Many of our competitors have stores or restaurants located in close proximity to our stores and compete directly with us.

Our market share in the overall China pizza market increased from 2.0% in 2018 to 4.4% in 2021, making us the third-largest player in the overall China pizza market in terms of revenue, while our market share in the pizza delivery segment increased from 3.4% in 2018 to 6.7% in 2021, making us the third-largest player in the pizza delivery segment in terms of revenue. We are the fastest-growing pizza company among China's top-five pizza companies in terms of 2021 revenue, according to the Frost and Sullivan Report. Our ability to gain market share in a highly competitive industry leads us to believe that we are more competitive than the other top-five players in the China pizza market.

We enjoy leading brand recognition in Beijing and Shanghai. In our new growth markets, where we are focused on scaling our presence, we enjoy rapid growth in brand awareness as we leverage the competitive strengths that we have demonstrated in Beijing and Shanghai. We believe that these strengths will enable us to maintain our high competitiveness in the industry in which we operate.

However, we cannot assure you that we will out-compete other players in the China pizza market or the China pizza delivery segment. As the leading players in the overall China pizza market and the pizza delivery segment continue to increase their market share, we face increasingly intense competition with other leading players, including with respect to menu and product development, product quality, customer experience, value for money and customer acquisition and retention. For more information about our competitive strengths, our industry and the risks we face, see "Industry overview" and "Risk factors – Risks related to our business and industry – Our success depends on the ability to remain competitive in the China pizza market".

## SEASONALITY

Our operations have not exhibited strong trend of seasonality, although we have been subject to certain levels of seasonal fluctuations with respect to customer orders. For instance, we typically see more consumer traffic and generate higher sales during the summer and winter months, including January, July, August and December, driven by the school holidays and holiday seasons, as compared to the remaining months.

## EMPLOYEES

As of June 30, 2022 we had a total of 3,199 full-time employees. Substantially all of our employees are based in China, primarily in Beijing, Shanghai, Guangzhou, Shenzhen and other cities in which we have operations. The following table sets forth the numbers of our full-time employees categorized by function as of June 30, 2022.

| Function | Number of Employees | % of total |
|---|---|---|
| Store development and operation[(1)] | 2,914 | 91.1% |
| Sales, marketing and product development | 32 | 1.0% |
| Supply chain, central kitchens and quality control | 145 | 4.5% |
| General administration and others | 108 | 3.4% |
| **Total** | **3,199** | **100.0%** |

*Note:*

(1) Comprises (i) full-time store development and operation employees at the corporate level and (ii) full-time employees at our stores who also act as delivery riders when needed.

We engage our full-time employees both directly and through dispatched labor arrangements. As of June 30, 2022, we had 434 full-time employees engaged through dispatched labor arrangements, all of whom were involved in store development and operation. Under our direct employment arrangements, we enter into standard labor contracts with employees, and we pay such employees' social insurance premiums and housing provident funds as required by the laws and regulations of the PRC. Under our labor dispatch arrangements, we enter into labor dispatch agreements with third-party employment agents whereby the employment agents dispatch suitable staff to fulfill our job requirements on mutually agreed terms, including the number of staff to be dispatched, period of the dispatch and wages and benefits of the dispatched staff. Pursuant to the labor dispatch agreements, we pay the agency to cover the wages, social insurance premium and housing provident funds required to be contributed to our dispatched staff by the laws and regulations in the PRC. The employment agent is responsible for arranging payment of wages, insurance and other welfare payments as required by the PRC laws and regulations upon receipt of the combined fee. Our dispatched staff work across a wide range of functions in our Company and have the same salary structure, social insurance and housing fund payments as those of full-time employees working in the same positions in the company. We have entered into these labor dispatch arrangements primarily because we believe they provide us with the flexibility to recruit, retain, remunerate and provide benefits for our employees across the various cities in China in which we operate. We have not had any instances of underpayment or non-payment of social insurance or housing fund contributions with respect to our full-time staff, whether directly employed by us or through labor dispatch agreements. For more information, see "Risk factors – Risks related to our business and industry – Failure to comply with PRC regulations on labor dispatch may subject us to penalties". In addition to labor contracts, we also enter into non-compete and confidentiality agreements with our senior management and key personnel.

Besides our full-time employees, we also had a total 9,705 part-time employees as of June 30, 2022. These part-time employees primarily work as riders and in-store assistants. We employ these part-time employees directly pursuant to part-time employment agreements, whereby we remunerate them by the number of hours worked. The table below sets forth the number of our employees, both full-time and part-time, by staffing arrangement as of the dates indicated.

| | As of January 1, | As of December 31, | | | As of June 30, | |
|---|---|---|---|---|---|---|
| | 2019 | 2019 | 2020 | 2021 | 2021 | 2022 |
| **Store and Central Kitchen Level** | | | | | | |
| Full-time store staff | 920 | 1,245 | 1,849 | 2,529 | 2,098 | 2,714 |
| Part-time store staff | 4,330 | 5,540 | 6,895 | 9,271 | 8,382 | 9,705 |
| Full-time central kitchen staff | 78 | 116 | 121 | 118 | 119 | 134 |
| **Subtotal** | **5,328** | **6,901** | **8,865** | **11,918** | **10,599** | **12,553** |
| **Corporate Level** | | | | | | |
| Full-time staff | 206 | 255 | 303 | 344 | 320 | 351 |
| **Total** | **5,534** | **7,156** | **9,168** | **12,262** | **10,919** | **12,904** |

During the Track Record Period we also engaged riders on an as-needed basis by entering into outsourcing contracts with third-party delivery service providers. These outsourced riders primarily help us maintain a sufficient and flexible level of riders during periods of high demand. These outsourced riders are also part of our fleet – they wear our uniforms and do not serve other stores during their shifts with us. Our outsourced riders receive their social insurance and housing provident funds contributions from the delivery service provider that employs them and we pay that provider according to the number of orders that the outsourced riders fulfil. According to our PRC Legal Advisor, we have no obligation under PRC laws and regulations to pay social insurance and housing provident funds for the outsourced riders, as the third-party delivery service providers, with whom the outsourced riders have a contractual labor relationship, are responsible for their social insurance and housing provident funds.

We believe that we maintain a good working relationship with our employees. To bring our employees closer together, we organize various employee activities ranging from family days, festival celebrations and annual gala, to outing, painting match and Voice of Domino's (to the extent permitted during the COVID-19 pandemic). We also encourage our employees to speak up and share their insights, ideas, suggestions and opinions in meetings or via bulletin boards and other communication channels to deepen their involvement in building our corporate culture.

We have not experienced any major labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date. Only one of our subsidiaries, Dash Beijing, has a labor union.

**Recruitment, retention and remuneration**

We recruit our employees from the open market, as well as through internal referrals. We screen our candidates for their experience and qualifications, as well as for their ability to be team players and customer-oriented. Our regional human resources teams are responsible for recruiting each store's management teams (store managers and associate store managers, assistant managers and management trainees), who in turn are responsible for recruiting the staff of that particular store. Our recruitment process generally includes interviews and an evaluation of a candidate's qualifications and experience.

When employees are hired, we give them an Employee Handbook, which informs them of our policies and their rights in all material respects, from recruitment, salary, benefits, performance assessment to training and development. We maintain compliance with labor laws and regulations in the PRC. For more details, please see "Regulations – Overview of PRC laws and regulations – Regulations related to labor".

We seek to offer attractive remuneration to employees, who earn both a basic salary and discretionary bonuses. In 2021, we offered our full-time and part-time employees a salary that was typical for our industry, according to Frost & Sullivan. For store management teams, their discretionary bonus is tied to the performance of the store. For riders, we provide incentive bonuses that are payable for, among others, the numbers of orders delivered and working during peak hours or in poor weather. Our riders are covered by group commercial insurance, which insures our riders for personal injuries and additional medical care to help protect against the risk of personal injuries.

**Training and evaluation**

Our training department oversees the training of our employees. We provide all of our restaurant employees, including store management teams, store assistants with consistent, systematic training to ensure that through the training employees have the operational, management and business skills needed to meet our safety standards and deliver outstanding customer service.

New in-store employees are required to complete onboarding training after they join us. They learn food safety, service, and cooking skills for their workstation. Each workstation has a recommended training and practice time, and all workstations have a training duration of about 8 weeks. At the same time, trainers use a 5-step training process to ensure that each employee receives the same training for each position, working side-by-side with the trainer and following the workstation guidelines. For our riders, in addition to regular training about food safety, they also receive training with respect to navigating urban traffic in order to maximize delivery safety and delivery service.

In each market and city, we also select a group of experienced restaurant managers with excellent performance and high work standards and responsibility to become trainers. After they go through a qualification process, these trainers help us to train new management staff and store assistants. Working side by side with our new staff, trainers help them become familiar with our standards and operational procedures.

**Rider care and management**

Our riders are an integral part of our staff. We highly value the contribution of our delivery riders to our business and aim to ensure their safety. Each rider is required to undergo a personal identification verification and screening process before becoming our rider and abide by our service standards. We conduct standardized trainings with our riders, and distribute to our delivery riders a Delivery Safety Work Manual before they take the first trips. We also provide our riders with training to help them navigate urban traffic and make deliveries safely. Under extreme weather conditions, we suspend all delivery requests to minimize the likelihood of our riders getting injured.

Both our full-time and part-time employees may serve as riders. All of these riders are dedicated riders, meaning that, during their shifts with us, they only make deliveries from our stores. We also engaged outsourced riders on an as-needed basis. To forecast our need for these outsourced riders, we leverage our data insights, as well as each store management team's local expertise, which enables us to engage the right number of outsourced riders for our needs. In 2019, 2020, 2021 and the six months ended June 30, 2022, there were a total of 2.0 million, 2.7 million, 4.1 million and 1.9 million delivery orders completed by outsourced riders, representing approximately 30%, 31%, 35% and 29% of our total delivery orders, respectively. The remaining delivery orders were completed by our full-time and part-time employees. In 2019, 2020, 2021 and the six months ended June 30, 2022, the staff compensation expenses we incurred for using outsourced riders were RMB23.6 million, RMB31.4 million, RMB46.3 million and RMB20.3 million, respectively.

All of our full-time and part-time employees who act as riders also perform other roles in our stores as part of our flexible team structure, whereby we also assign different duties within the store to each team member based on his or her relevant experience and depending on customer demand. For example, if a store needs more riders, the assistants in the store can also serve as riders as needed during peak hours. We provide training to all of our riders, regardless of our employment relationship with them, to make sure that they can work safe and efficiently.

We have also adopted policies to comply with the Guiding Opinions on Safeguarding the Rights and Interests of Workers in New Employment Patterns (關於維護新就業形態勞動者勞動保障權益的指導意見 or the "**Guiding Opinions on New Employment Patterns**") and the Guiding Opinions on the Implementation of the Responsibility of Online Catering Platforms to Effectively Safeguard the Rights and Interests of Take-out Food Delivery Workers (關於落實網絡餐飲平台責任切實維護外賣送餐員權益的指導意見 or the "**Guiding Opinions for Online Catering Platforms**" and, together with the Guiding Opinions on New Employment Patterns, the "**Guiding Opinions**"), which impose certain regulatory requirements on online catering platforms and third parties who collaborate with online catering platforms. These guiding opinions are not applicable to us because, as advised by our PRC Legal Advisor, we would not be regarded as an online catering platform or a third party that collaborates with online catering platforms. For the basis of our PRC Legal Advisor's view, please see "Regulations – Overview of PRC laws and regulations – Regulations related to labor".

Notwithstanding the fact that the Guiding Opinions do not apply to us, we nonetheless strive to ensure that our relationship with our riders, whether directly engaged by us or through third-party delivery service providers, comply in all material respects with these guiding opinions, in addition to our obligations for social insurance and housing provident funds in respect of our riders. For example, we implement an equal-opportunity employment policy in our full-time employee manual, and we enforce the working hour limit and established reward mechanisms for riders in the event of bad weather and holidays in our system. We also enforce various measures to ensure that our third-party delivery service providers meet their obligations. In particular, our agreements with the third-party delivery service providers set out their obligations to pay social insurance and housing provident funds for the riders who have contractual labor relations with them in a timely manner according to the standards provided by relevant laws and regulations. We also have the right to check whether our delivery service providers are in compliance with certain standards including whether they have timely paid social insurance and housing provident funds; their failure to pay for social insurance and housing provident funds for riders who have contractual labor relations with them may lead to disqualification of, or termination of, our collaboration with them. The third-party delivery service providers are also subject to the regulations of local authorities with respect to their obligations for relevant riders' social insurance, housing provident funds and others provided in the Guiding Opinions. Accordingly, our labor-related internal control policies for riders are in material compliance with the Guiding Opinions. In view of the foregoing reasons and based on the advice from our PRC Legal Advisor, we believe that the issuance of the Guiding Opinions will not have material impacts on our business operations. We will continue to monitor regulatory developments which are relevant to rider protection and take all necessary actions to comply with any further implementation rules that may be issued.

## PROPERTIES AND FACILITIES

Our principal executive offices are located in Shanghai. As at the Latest Practicable Date, we did not own any properties and all of the properties for our restaurants, central kitchens, warehouses and offices were leased or licensed to us. We believe this leasing strategy reduces our capital investment requirements and allows more flexibility for our store network. The following table sets forth the number of properties leased or licensed to us at the Latest Practicable Date and their current or expected uses:

| **Function** | **Number of Properties** |
|---|---|
| Restaurants | 569 |
| Central kitchens and warehouses | 3 |
| Offices | 4 |
| **Total** | 576 |

We lease various offices, stores and central kitchens. Rental contracts for our offices are made for a term of three to six years, with extension options. Rental contracts for our stores are typically made for a term of five to eight years, which is in line with industry norms, according to Frost & Sullivan. These rental contracts typically come with extension options, which we have historically used to extend our rental contracts for another four years, on average during the Track Record Period. Rental contracts for our central kitchens are made for a term of five to ten years with extension options. We have not terminated the rental contracts before their term ends during the Track Record Period, but in the event that we are required to early terminate the lease agreements, we will negotiate with the lessor and give advance notice as provided in the lease agreements to minimize the potential impact on our financial performance. The table below sets forth the number, gross floor area and outstanding lease liabilities of the leases and licenses for our properties that expire in or before 2027, and which are used or expected to be used as stores, as at the Latest Practicable Date by their maturity profile:

| | Will expire during the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** |
| Number of leases or licenses | 13 | 49 | 60 | 83 | 85 | 69 |
| GFA (sq. ft) | 1,898 | 6,706 | 8,320 | 11,718 | 13,516 | 9,809 |
| Outstanding lease liabilities (RMB'000) | 430 | 17,874 | 44,991 | 93,874 | 125,793 | 108,083 |

As of the Latest Practicable Date, we leased 576 properties in China with an aggregate gross floor area of approximately 96,511.08 square meters. Lessors of 16 leased properties (with an aggregate GFA of approximately 2,800 square meters, representing approximately 2.90% of our total leased GFA) did not provide valid title certificates or other relevant documents evidencing the legality of the construction of the leased properties. Our PRC Legal Advisors have advised us that we would not be subject to any fines or penalties with respect to these properties, but the lease contracts that we entered into with such lessors may be invalid under the relevant laws and regulations of the PRC, and our use of these properties may be affected if the lease contracts are so deemed invalid. Additionally, as of the Latest Practicable Date, the lease agreements with respect to 523 out of 576 of our leased properties have not been registered with the relevant PRC government authorities. See "Risk factors – Risks related to our business and industry – Our rights to use some of our leased properties may be queried by property owners or other third parties, and we may be subject to fines as a result of unfiled leases which may adversely affect our business operations and financial position".

As of June 30, 2022, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

## MASTER FRANCHISE ARRANGEMENTS

We operate our stores pursuant to the Master Franchise Agreement, by and between Pizzavest China Ltd., an indirect wholly-owned subsidiary of our Company (the "**Master Franchisee**"), and Domino's International, dated June 1, 2017, as amended. Set forth below is a summary of the salient terms of the Master Franchise Agreement.

*Exclusivity*. We have the exclusive right to set up and operate Domino's Pizza stores, as well as to use and license the Domino's Pizza and associated trademarks in the operation of pizza stores in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China (the "**Territory**").

*Term*. The initial term of the Master Franchise Agreement will expire on June 1, 2027.

*Renewal*. We may renew the Master Franchise Agreement at our option for two more 10 year terms by serving written notice of our intent to renew to Domino's International, provided that (i) we are not in default of the Master Franchise Agreement or any other Agreement between us and Domino's International or its related corporations, (ii) we have satisfied all monetary obligations owed to Domino's International and its related corporations as at the date of exercise of the option and that we have not, in the sole discretion of Domino's International, repeatedly failed to meet such obligations through the term of the Master Franchise Agreement, and (iii) we have mutually agreed in good faith to a further growth clause during the term of the renewed master franchise agreement. Our Directors do not foresee any material impediment to renewing the Master Franchise Agreement, including the satisfaction of the conditions set forth in the foregoing clauses (i), (ii) and (iii), on the basis that (1) during the Track Record Period, we met our growth requirement under the Master Franchise Agreement and we expect to do the same for the remainder of the term of the Master Franchise Agreement, as described in more detail under the heading "Growth requirement" below, (2) historically, we have not been the subject of any material noncompliance with the Master Franchise Agreement, and (3) we are a leading Domino's Pizza franchisee, as evidenced by the awards awarded to us by Domino's Pizza Inc. described in "– Awards and Recognition" below. Taking into account the view of the Directors above and the due diligence work conducted by the Sole Sponsor including but not limited to (i) reviewing the growth requirement under the Master Franchise Agreement; (ii) business and management due diligence conducted on the Master Franchise Arrangement; (iii) independent interviews conducted with the franchisor; (iv) reviewing the number of stores opened and total number of stores open and operating in each of the years ended December 31, 2019, 2020 and 2021; and (v) discussing with the management of the Company in respect of the Company's future development and store expansion plans, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the reasonableness of the above-mentioned Directors' view.

*Fees*. We are required to pay to Domino's International (a) a master franchise fee, (b) store franchise fees, and (c) royalty fees, in accordance with the terms of the Master Franchise Agreement. For details, please see "Connected Transactions – Master Franchise Arrangements – Pricing terms".

*Products; Supplies*. We are required to seek Domino's International's approval with respect to the ingredients, supplies and materials used in the preparation, packaging and delivery of pizza. Domino's International also has the right to inspect ingredients, materials or supplies to determine whether they meet its quality standards and specifications, and typically conducts inspections twice per year.

*Growth requirement*. The Master Franchise Agreement provides that our Company shall at all times during the term use its best endeavors to develop and promote the Domino's system and marks, within the Territory. Furthermore, our Company has an obligation to open and maintain in operation in the Territory (whether itself or through sub-franchisees) at least the number of stores referred to in the Master Franchise Agreement. In each of 2019, 2020 and 2021, we opened and maintained a sufficient number of stores to meet our obligations under the Master Franchise Agreement, and we are on pace to do the same in 2022 and 2023. We do not foresee any material impediment to meeting these growth targets for the remainder of the term of the Master Franchise Agreement, which requires that we maintain 1,000 stores by the end of 2026. To meet this target, we have adopted a store expansion plan to take advantage of the significant whitespace in the China pizza market, and expect to open 120 new stores in 2022, 180 new stores in 2023, and between approximately 200 and 300 new stores in each of 2024, 2025 and 2026. We believe our store expansion plan is supported by sufficient market demand, and we have also adopted a set of feasibility criteria and store expansion management measures to successfully execute our plan. As of the Latest Practicable Date, we had 569 stores, and therefore believe that we will meet the growth requirement under the Master Franchise Agreement upon the successful execution of our store expansion plan. For more information, please see "Business – Our Domino's Pizza stores – Growth of our store network – Our store expansion plan." Domino's International has the right to terminate the Master Franchise Agreement or such development rights if our Company fails to meet the obligations in a timely manner, and Domino's International shall have the right to undertake such development itself or through another party.

*Termination*. The Master Franchise Agreement may be terminated by Domino's International upon the occurrence of various insolvency related events in respect of the Company. In addition, Domino's International may also terminate the Master Franchise Agreement if the Company, among others, (i) fails to timely provide certain information or make payments to Domino's International on three or more occasions within any one year; (ii) is convicted of any offense or crime or engages in any conduct which Domino's International believes may substantially impair the goodwill associated with Domino's marks; (iii) intentionally under reports sales for any period or if an audit by Domino's International discloses an understatement of sales and the Company fails to timely pay the applicable fees to Domino's International together with interest due within 5 days of the final audit report; (iv) is in breach of its obligations in relation to Domino's International's intellectual property or assigns the agreement without Domino's International's consent; and (v) does not achieve its agreed growth targets during the term. If Domino's International becomes entitled to terminate the Master Franchise Agreement, Domino's International may, at its option, choose to reduce the size of the Territory in lieu of termination.

For more information, see "Risk factors – we rely significantly on our Master Franchise Agreement with Domino's International for our business operations," "– Intellectual property," "History, reorganization and corporate structure – Master Franchise Agreement" and "Connected transactions – Master Franchise Arrangements."

## INTELLECTUAL PROPERTY

The intellectual property we depend on includes trademarks, trademark applications, patents, and patent applications related to our brands and services, software copyrights, trade secrets and other intellectual property rights and licenses. We seek to protect our intellectual property assets and brands through a combination of trademark, patent, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and other measures.

As the master franchisee of Domino's International in China, we have contractual rights to use certain Domino's owned trademarks, service marks and other intellectual property relating to the Domino's brand and concept. Our use of certain material trademarks and service marks is governed by the Master Franchise Agreement. Pursuant to the Master Franchise Agreement, we are the exclusive licensee of the Domino's Pizza brand and their related marks and other intellectual property rights for restaurant services in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China. In addition, we have entered into a Domino's Pulse Master Franchisee Software License Agreement with Domino's Pizza Distribution LLC, pursuant to which we are entitled to use, license and sublicense certain of Domino's Pizza's proprietary software for use in our stores. For more information, see "Risk factors – Risks related to our business and industry – We rely significantly on our Master Franchise Agreement with Domino's International for our business operations," "– Master Franchise Arrangements," "History, reorganization and corporate structure – Master Franchise Agreement" and "Connected transactions – Master Franchise Arrangements."

We held 1 registered trademark, 18 computer software copyrights and 1 patent in the PRC as of the Latest Practicable Date. As of the same date, we had 9 registered domain names, including our main website domain name, *https://www.dominos.com.cn*.

For more information about the risks we face relating to our intellectual property, see "Risk factors – Risks related to our business and industry – We or Domino's International may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our businesses and operations".

## HEALTH AND WORK SAFETY

We are subject to health and safety laws and regulations in the PRC. During the Track Record Period, we complied with the environmental and occupational health and safety laws and regulations in all material respects in the PRC. For more information about the health and safety laws and regulations that apply to us, see "Regulations".

We strive to provide a safe working environment and implement work safety guidelines for all of our employees. Our designated Environment, Health and Safety ("**EHS**") working group holds regular meetings to formulate, review, revise and rectify safety policies, among others. Besides designing and implementing safety policies, we conduct external occupational disease assessment, establish robust reporting structure for work-related incidents and undertake annual EHS audits on each central kitchen and store. We also provide all our employees personal protection equipment, offer them annual physical checks and purchase accident insurance programs and/or commercial health insurance programs for them.

With respect to fire safety, in particular, we pass the relevant fire safety inspections and obtain fire safety permissions from the fire service department pursuant to the legal requirements of the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》) before and during the operations of our stores. We have established an internal Fire Safety Management Policy, an Emergency Response Plan, a Crisis Management Manual, a Work Safety and Hygiene Manual and other policies pursuant to applicable regulations and rules. We make sure that firefighting equipment is installed in accessible location on site and properly maintained. We appoint responsible personnel to carry out regular fire safety checks to make sure that all fire alarm systems and emergency lighting are working properly, and that escape routes and fire exit signs are in good condition. In addition, all of our employees are required to attend mandatory trainings which provide detailed guidance on fire safety signs, usage of firefighting equipment, evacuation plans, first-aid knowledge and fire safety policies, among others. Fire drills are held at least twice a year in our central kitchens and annually in our stores and offices. Store managers and managers on duty may receive reduced quarterly bonuses if the stores that they oversee have incurred severe losses due to fire-related incidents.

We highly value the contribution of our delivery riders to our business and aim to ensure their safety. We distribute to our delivery riders a Delivery Safety Work Manual before they take their first delivery trips. Under extreme weather conditions, we temporarily suspend all delivery requests to minimize the likelihood of our riders getting injured. We also leverage our strong technology capabilities to prevent delivery riders from unnecessary travel or speeding, which are among the main causes of work-related injuries. For example, our smart delivery system enables optimal task assigning and reduced mileage, and our community GPS guides delivery riders to follow the right route. In addition, we generally provide our delivery riders safe and high-quality e-bikes that are certified with China Compulsory Certification. These e-bikes are maintained or repaired by our contracted e-bike vendors regularly, and the batteries are checked regularly and replaced in efficient charge stations when needed.

Our care for our employees' health extends beyond the work environment. From time to time, we organize events such as training programs in collaboration with American Heart Association, mental health counselling services during the COVID-19 pandemic and wellness lectures to enhance both the physical and mental health of our employees.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

### Our governance

To effectively manage environmental, social, governance and climate-related (collectively, "**ESG**") issues, we have established a top-down ESG governance framework, comprising our Board, the Senior Leadership Team (the "**SLT team**"), and the Wealth, Health, Safety & Environment ("**WHSE**") working group.

Our Board takes the overall responsibility for our ESG strategy and reporting. The SLT team, consisting of our chief executive officer, chief operating officer, chief performance officer and our department heads, assumes the responsibility to (i) identify and evaluate ESG risks and opportunities to which we are exposed, (ii) set ESG goals and targets, and formulate and assess ESG strategic plans and mitigating measures, (iii) monitor and manage matters relating to ESG issues, and (iv) confirm with our Board with respect to the effectiveness of our ESG system. The WHSE working group, comprises specially-assigned personnel of key departments, such as the supply chain management department, operations department, human resources department, marketing department, legal department, and others. The WHSE working group is dedicated to the implementation of our WHSE plans. The WHSE working group convenes meetings and communicates regularly to report and present the implementation progress and key results.

### Impact of ESG risks

We have identified the following ESG risks which we consider material and may have an impact on our business, strategy or financial performance:

(i) *Food safety and quality.* Our food safety guidelines and policies, standards and procedures, inspections and checks, and training on proper food safety practices, among others, may not be adequate, which may increase the chance of contamination and food-borne illnesses. As a result, we may be subject to risks of receiving administrative or criminal penalties and our reputation may be adversely impacted.

(ii) *Supply chain management.* Responsible sourcing and sound supply chain management are essential for us to ensure reliable food quality and sustainability along our supply chain. If we are unable to select quality third-party suppliers or monitor, audit and manage different parties in the supply chain may expose us to risks of suppliers' non-compliance with applicable laws and regulations and unethical practices, which could diminish our competitiveness and harm our reputation.

(iii) *Climate change adaption.* Floods, typhoons, storms, and other extreme weather conditions and natural disasters may cause price volatility of raw materials, fluctuation in supply and physical damage to our restaurants, central kitchens and

offices, pose safety risks to our staff and lead to delayed food delivery to our customers, among other consequences. Besides, against the backdrop of the PRC's carbon peak and neutrality goals, we may incur additional costs to purchase new energy, replace undegradable packaging, promote sustainable sourcing and engage in low-carbon product development.

(iv) *Environmental compliance.* We are subject to relevant environmental laws and regulations, such as the Energy Conservation Law. For details, please refer to "Regulations – Overview of PRC laws and regulations – Regulations on environmental protection". Regulators may impose more stringent environmental requirements and standards on us. For example, we may have to switch to cleaner energy and more energy efficient operating equipment, and further reduce emissions of wastewater and solid pollutants, which may increase our operating costs.

**Identification, assessment, management and mitigation of ESG risks**

Our SLT team is responsible for identifying and evaluating ESG risks, and formulating and assessing strategic plans and mitigating measures. The WHSE working group is responsible for the implementation of risk control and adaptation, and it reports to our SLT team on a monthly basis. We have adopted the following measures to identify, assess, manage and mitigate ESG risks.

***Food safety and quality***

We comply with relevant laws and regulations regarding food safety in all material respects in the PRC and are prudent in every aspect from procurement and storage of raw materials, to production, preparation, distribution and consumption of finished food. For details of the food safety laws and regulations that apply to us, please see "Regulations – Overview of PRC laws and regulations – Laws and regulations relating to the licenses and permits – Food safety". Set forth below are the various measures that we undertake to manage and mitigate risks relating to food safety and quality:

(i) adopting a thorough plan for Hazard Analysis And Critical Control Points ("**HACCP**"), which addresses food safety through the identification, evaluation and control of biological, chemical and physical hazards throughout all phases of food preparation and associated corrective, preventive and verification activities;

(ii) having third-party evaluators conduct external Food Safety Evaluation ("**FSE**") audits annually in our stores;

(iii) deploying (x) our quality assurance team to carry out internal checks based on even more stringent auditing standards than those on the FSE checklist, (y) our operation evaluation team to conduct comprehensive assessment of every store bi-annually, and (z) our quality assurance team, which is led by our quality control division, to perform regular quality audits and annual verification procedure to confirm that the HACCP system is working effectively;

(iv) sampling and testing raw materials and finished food, monitoring production conditions, and filtering and recalling nonconforming ingredients and finished food;

(v) monitoring employees' compliance with Good Manufacture Practice;

(vi) implementing detailed food quality and hygiene standards in our Food Safety Manual and Food Safety Management Policy, including inspection of raw materials, storage temperature control, equipment sanitization and cleansing, staff health certificate management and personal hygiene, thawing and cooking procedure and food temperature control, among others;

(vii) making food safety performance as one of the key performance metrics in the bonus program for store managers and imposing penalties on store managers or regional managers for failure to observe our food safety policies;

(viii) requiring our staff to participate in mandatory trainings and tests relating to food safety, with the focus on relevant regulations and standards, HACCP policies, prevention of food-borne illnesses, sanitation and other topics; and

(ix) using tamper proof covers, food safety seals, as well as heat-insulation bags and boxes in food delivery to prevent the risk of contamination and ensure food quality.

***Supply chain management***

We have established a supplier approval process, through which suppliers must provide relevant qualifications or certifications, such as their business licenses or food production and operation licenses, and demonstrate legal compliance with environmental and social policies prior to approval. We classify our suppliers based on their product category, supplier category, materiality to our brand and procurement volume. Suppliers considered "high risk" are subject to our announced or unannounced audit two to three times a year while those considered "medium risk" are audited once a year. "High risk" suppliers are also required to attend an annual business review meeting with our senior management, where safety and quality, industry insights, product development, strategy and plan and other important issues are discussed. If the suppliers are not compliant with the applicable laws and regulations regarding food safety and quality or commit misconducts, we may terminate our contracts with them.

We place great emphasis on supply chain sustainability and have been promoting a responsible, low-carbon and bio-diversity paradigm along our value chain. For example, all of our purchased palm oil has been certified by Roundtable on Sustainable Palm Oil, and part of our purchased seafood has been certified with Best Aquaculture Practices. Additionally, we only source our dairy products from world-known natural pastures.

***Climate change adaptation***

We are committed to conserving energy and reducing our carbon footprint. We primarily consume electricity, natural gas and steam in our operational activities and a negligible amount of diesel that is used for fueling emergency generators in central kitchens. These are the main sources of our greenhouse gas emissions. To reduce our greenhouse gas emissions and conserve energy, we have adopted the following measures:

(i) implementing an internal Energy Management Policy to stipulate how we measure, monitor and optimize energy consumption;

(ii) continuously looking for effective ways to reduce energy use and thus our carbon footprint, including but not limited to the adoption of LED lighting, high-efficiency equipment, compressor heat recovery system, heat insulation facilities (extruded sheet, glass and partitions) and flexible setting to switch equipment on-and-off;

(iii) adopting stringent energy cost control indicators that are subject to monthly review and on-going maintenance;

(iv) using electric vehicles to conduct deliveries; and

(v) requiring our employees to attend mandatory energy saving trainings.

In 2021, a third-party greenhouse gas inventory was conducted in our stores, which demonstrated that we are preparing to embrace the low-carbon era. As of December 31, 2021, all of the vehicles that we used for delivery were electric vehicles, which have much lower greenhouse gas emissions than vehicles with internal combustion engines. Our freight mileage has also been reduced in part due to our technology capability that enables riders to take optimal delivery routes, reducing mileage and optimizing delivery and energy efficiency, and thus reducing greenhouse gas emissions. We will continually optimize our food delivery process to reduce greenhouse gas emissions.

Besides, we have established a crisis management team and formulated an internal Crisis Management Manual to minimize our risk exposure in the event of rainstorms, floods, earthquakes or other extreme weather conditions or natural disasters.

***Environmental compliance and waste management***

During our daily operations, we discharge wastewater mainly from central kitchens, stores and offices and emit a limited amount of cooking fumes from kitchens in our stores. We also generate waste paste and dough samples in our central kitchens. We produce packaging waste and food waste due to our packaging usage and unused food in our stores.

To assess potential risks and opportunities in this regard, we mainly consider existing and emerging regulatory requirements, and heightened focus from investors, NGOs, customers, and other stakeholders. In terms of risks, we could be exposed to the imposition of plastic tax or fines, price premium of sustainable alternatives, negative changes in reputation and other negative impacts, with governments putting pressure to curb the use of certain plastics, and the public concerned about the growing impact of packaging and food waste. On the other hand, efforts to adopt sustainable packaging and reduce packaging and food waste could bring reputational benefits, better competitive position and reduced operational costs in the medium or long term.

We comply with national regulations to reduce plastic pollution and promote circular economy, and respond to initiatives worldwide to tackle food waste in our daily operation. We continuously work on alternative packaging solutions and spread food waste prevention message to minimize waste. We also maintain compliance with laws and regulations governing environmental protection and have obtained the sewage discharge permit for our central kitchen in Shanghai and completed the pollutant discharge registration for our central kitchens in Dongguan and Sanhe. For details, please refer to "Regulations – Overview of PRC laws and regulations – Regulations on environmental protection". Furthermore, we have been proactive in addressing environmental issues. The following sets forth the various measures we take to ensure compliance with environmental laws and regulations and minimize the impact of our operations on the environment and natural resources:

(i) discharging sewage into urban sewage systems with the aim to cause little pollution to the environment;

(ii) hiring third-party evaluators to conduct water quality testing on an annual basis;

(iii) adopting stringent water cost control indicators that are subject to monthly review and on-going maintenance;

(iv) providing mandatory water saving trainings to our employees with the focus on continuous improvement of water efficiency;

(v) installing fume extractors, smoke vents and smoke purifiers as stipulated by regulations and conducting regular cleaning and renewal in accordance with the requirements of local authorities in the PRC;

(vi) entering into disposal agreements with local authorities in the PRC to handle our non-hazardous waste;

(vii) entering into disposal agreements with third parties with relevant qualifications regarding the limited amount of hazardous waste generated from our central kitchen in Shanghai, which includes used filter screens, waste activated carbon and laboratory waste;

(viii) allowing for no more than 0.1% of loss rate of waste material in central kitchens;

(ix) scheduling employee mandatory trainings and tests on waste reduction; and

(x) popularizing the use of eco-friendly packaging and replacing single-use plastic items with biodegradable paper straws and wooden knives and forks.

We have also adopted a series of programs regarding food packaging and food waste, and have achieved positive results.

In our central kitchens, we have phased out single-use packing and packaging and adopted reusable containers for our key processed food ingredients, including pizza dough, pasta and rice. Our pizza dough is prepared in our central kitchens. Through our enterprise resource management software, our central kitchens work closely with our stores to produce the amount of dough needed for our store operations, so as to minimize the excess pizza dough generated.

At the store level, our main products are freshly handcrafted to order, which helps keep food waste to a minimum. Store inventory is carefully managed depending on local customer demand. As over 73% and 71% of our revenue in each of 2021 and the first half of 2022 was generated by delivery orders, the food waste from the leftovers in the store is relatively limited. In 2021, we increased the use of sustainable packaging by replacing non-degradable plastic packaging with degradable packaging, such as biodegradable plastic bags, paper straws and wooden knives and forks. As a result, purchases of non-degradable plastic packaging were reduced from 315 tons in 2020 to 146 tons in 2021, and the proportion of non-degradable plastic packaging as a percentage of total packaging materials was reduced from 16% in 2020 to 5% in 2021. We also offer products that taste better with different portion sizes to reduce leftovers and educate our customers to help reduce food waste.

We also work alongside our industry partners and customers to reduce, reuse or recycle waste. In 2021, we began collaborating with our suppliers to cut down paper usage and have achieved promising results. The weight of 9″ and 12″ pizza packaging boxes was reduced by 5.3% from 92g and 133g per box to 87g and 126g per box, respectively, and the 2021 consumption intensity for pizza packaging boxes thereby deceased by 15% year-on-year from 1.31 tons per million RMB of revenues to 1.12 tons per million RMB of revenues since the introduction of the lighter pizza packaging boxes in 2021. The weight of napkins was also reduced by 16.6% from 1.693g per napkin to 1.411g per napkin, and the consumption intensity for napkins in the first half of 2022 thereby deceased by 17% compared to that in 2021, from 0.10 tons per million RMB of revenues to 0.08 tons per million RMB of revenues since the introduction of the lighter napkins in 2022. In addition, we connect with partners via seminars, workshops and other methods to stay on top of the latest industry trends and look for technologies that address eco-friendly materials. We will also continuously explore different approaches in food waste management including compost by cooperation with external agencies.

We intend to make commitments, set targets, and step-up efforts to increase the rate of light-weighted, fibre-based or eco-friendly content in our packaging, manage end-of-life packaging treatment, and mitigate food wastage on our pathway to a more sustainable future.

**Corporate social responsibilities**

Apart from identifying and mitigating ESG risks related to our business, we are proactive in undertaking social responsibilities mainly by providing equal employment opportunities and promoting diversity, investing in our employees' professional development, implementing a stringent anti-corruption mechanism, engaging in responsible marketing and bonding with local communities.

***Equal opportunities and diversity***

We are on a continuous journey to the improvement of wellbeing of everyone working with and for us. We foster inclusion and equality among employees from all backgrounds, regardless of employment type (full-time or part-time), religion, age, gender, sexual minorities, disability, sexual orientation, citizenship status and parental status, among others. We believe that diversity, including but not limited to gender diversity, is important to us in thriving in the business environment. Hence, we consider diversity in determining the composition of our senior management and our Board. For example, among the thirteen members of our SLT team, eight members are female. Our Board is also diverse, with two female directors, as well as directors hailing from different regions or countries, including the China mainland, the Hong Kong Special Administrative Region of China, the United States and the United Kingdom.

***Professional development***

We invest in people and help them prosper. To ensure our employees have an exciting and rewarding career path and become well-rounded professionals, we support them in the following ways:

(i) providing our employees with guidance before their appraisal interviews;

(ii) offering our employees of different career levels customized training and coaching via our online e-learning system on topics ranging from our internal policies and standards, brand story and industry insights to communication and leadership skills; and

(iii) organizing in-class training programs as needed, such as the senior management leadership program in collaboration certain universities in China.

***Anti-corruption***

We comply with the laws and regulations in the PRC regarding anti-corruption. In addition, we have adopted and strictly implemented our internal anti-corruption policies as stipulated in our Employee Handbook, which is signed by all our employees. Pursuant to our anti-corruption policies, any employee who takes a bribe from any business partner for the purpose of getting business will be subject to penalties or termination of labor contracts. We also expect the same ethical practice by our business partners and their respective suppliers, evidenced by the fact that we require our business partners to sign our Supplier Code of Conduct. In addition, we have imposed a whistleblowing procedure that allows employees to report actual or suspected wrongdoing. The identities of the whistle blowers are kept strictly confidential.

***Responsible marketing***

We present the public with accurate advertising and sales information about our business and products. We review the legality and truthfulness of our promotional campaigns before their official launch. We remain compliant with laws and regulations governing advertising activities in the PRC. For more information on the laws and regulations that apply to us, please see "Regulations – Overview of PRC laws and regulations – Regulations relating to food advertisement".

***Community involvement***

We strive to forge benign relationships with local communities to maintain sustainable business operations. For example, we offered pizzas for free to frontline workers who were fighting the COVID-19 pandemic, such as hospitals, medical staff and the police, during the height of the pandemic from January to May 2020. We have also established a Domino's Community Service Team for Southeast China. In 2021, this Team undertook a community clean-up initiative, to which they dedicated approximately 550 hours to help clean garbage that was improperly disposed.

## SETTLEMENT AND CASH MANAGEMENT

Customers can pay with digital payment methods such as Weixin Pay and Alipay, as well as other payment methods such as credit cards and cash. The table sets forth a breakdown of our revenues by payment method as a percentage of our gross revenue for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| **Percentage of revenue[1]** | | | | | |
| *By settlement method* | | | | | |
| Digital payment methods[2] | 87.0% | 95.4% | 98.3% | 97.2% | 99.4% |
| Credit card | 10.0% | 3.7% | 1.3% | 2.4% | 0.2% |
| Cash | 3.0% | 0.9% | 0.4% | 0.4% | 0.4% |
| **Total** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |

*Notes:*

(1) Calculated based on gross revenue before the deduction of value-added tax.

(2) Refers to revenue generated from orders placed on either (i) our own online channels that were settled through Alipay, Weixin Pay, UnionPay and other digital payment methods, or (ii) third party online channels.

As the vast majority of our orders are settled through non-cash methods, risks related to cash management have been and will continue to be maintained at minimal level. Nevertheless, with respect to orders that are settled through cash, we implement a number of internal control policies to prevent cash misappropriation and embezzlement. Currently cash at the store level includes store revenues received in cash and petty cash (mainly used for change and small miscellaneous expenses). The company has established a Store Cash Management Policy to regulate the management of cash revenue and petty cash at the store level. For store revenues received in cash, our policies prescribe that, (i) on a daily basis, after a given store closes, a store clerk will perform cash counts under the supervision of another store clerk, who will record the count result on a designated form, and cash will be stored in a safe; (ii) on a weekly basis, at each store, our store manager will deposit cash into the bank account designated by the Company; (iii) on a monthly basis, the Group-level accounts receivable reconciliation accountant will check the applicable bank statement against our internal store-level revenue reports. Our Finance Manager and Deputy Finance Director will review internal reports to sign off on our monthly closing checklist, and the applicable district managers and regional managers will also perform independent counts during store inspections, which inspections are documented to retain evidence of review. Similarly, for store petty cash, pursuant to our cash management policy, we also conduct daily supervised cash counts and storage, as well as monthly inspections by district managers and regional managers.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any incident of cash misappropriation or embezzlement that had a material adverse impact on our business, results of operations or financial condition.

**INSURANCE**

As of the Latest Practicable Date, we maintained various insurance policies relating to our business operations. For our stores in China, we mainly purchase property insurance, public liability insurance, food safety and employer's liability insurance. We consider that the coverage from the insurance policies maintained by us is adequate for our present operations and is in line with industry norms. For more information, please see "Risk factors – Risks related to our business and industry – We have limited insurance coverage, which could expose us to significant costs and business disruption".

## RISK MANAGEMENT AND INTERNAL CONTROL

We have implemented a comprehensive set of risk management policies and procedures to identify, assess and manage risks that we are exposed to in our day-to-day operations. For details of the major risks identified by our management, see "Risk factors". To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted and will adopt, among other things, the following risk management measures:

- we have established an audit and risk committee to review and supervise our financial reporting process and internal control system. Our audit and risk committee consists of five members, comprising (i) three independent non-executive Directors, namely Ms. Lihong Wang, Mr. David Brian Barr and Mr. Samuel Chun Kong Shih, and (ii) two non-executive Directors, namely Mr. Zohar Ziv and Mr. Matthew James Ridgwell. Ms. Lihong Wang serves as chairperson of the committee. See "Directors and senior management – Management and corporate governance – Board committees – Audit and risk committee" for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit and risk committee;

- we will adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to conflict of interest management, connected transactions and information disclosure;

- we have adopted and will continue to adopt anti-corruption and anti-bribery policies among employees and other third parties; and

- we will continue to organize training sessions for our Directors and senior management with respect to the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

In addition, we have appointed Somerley Capital Limited as our Compliance Advisor, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to Directors' duties and corporate governance matters.

Our Directors are of the view that we have adequate and effective internal control procedures.

## AWARDS AND RECOGNITION

During the Track Record Period, we have received recognition for the quality and popularity of our products and services.

We have been recognized as a top-performing Domino's franchisee. We won the Gold Franny four years in a row, having won it from 2018 to 2021. The Gold Franny is awarded by Domino's Pizza, Inc. to its U.S. and international franchisees for exceptional operating results, store development and growth. In 2019, we also were also awarded the President's Award (Large Market), which was a one-off award given by Domino's Pizza, Inc. to the single top-performing Gold Franny winner, as selected among Gold Franny winners with more than 200 directly operated stores. In 2021, we were awarded the Cornerstone Award, which is awarded by Dominos' Pizza, Inc. to franchisees that demonstrate exceptional net new store growth. As a leading Domino's franchisee, we believe we are well-positioned to further grow the Domino's brand in China, just as many of our peer franchisees have done in other international markets around the world.

The table below sets forth some of the significant international and domestic awards and recognition that we or our senior management have received during the Track Record Period:

| **Award/Recognition** | **Award Year** | **Awarding Institution/Authority** |
|---|---|---|
| *Awards/recognition awarded by Domino's Pizza, Inc.* | | |
| Cornerstone Award | 2021 | Domino's Pizza, Inc. |
| Gold Franny | 2021 | Domino's Pizza, Inc. |
| Gold Franny | 2020 | Domino's Pizza, Inc. |
| 2019 President's Award – Large Market | 2019 | Domino's Pizza, Inc. |
| Gold Franny | 2019 | Domino's Pizza, Inc. |
| *Other awards/recognition* | | |
| 2022 Industry Influential Brand Award | 2022 | China Finance Summit (CFS財經峰會) |
| 2021 Huaying Digital Index Top 30 (2021華鷹數字化指數Top 30) | 2021 | China Digital Innovation Expo (中國數字化創新博覽會) |
| Best Retail Digital Transformation and Innovation Award (年度最佳零售數字化轉型與創新獎) | 2021 | WRE World Retail Elite (WRE消費品營銷科技峰會) |
| 2021 Outstanding Brand Image Award (2021傑出品牌形象獎) | 2021 | China Finance Summit (CFS財經峰會) |
| 2021 Industry Quality Paragon Award (2021行業品質典範獎) | 2021 | International Quality Festival 2021 – Global Consumer Leadership Summit (2021國際品質節–全球消費領導力峰會) |
| Best Digital Marketing and Execution Innovation Award (最佳數字化營銷與執行創新獎) | 2020 | WRE World Retail Elite (WRE消費品營銷科技峰會) |

## LICENSES AND REGULATORY APPROVALS

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to obtain various licenses and regulatory approvals to operate our business. Please refer to the section entitled "Regulation" in this document for details about the regulations that apply to us.

During the Track Record Period and up to the Latest Practicable Date, we had obtained all necessary licenses that are material to our business operations from the relevant government authorities. All of our licenses are valid for a fixed period and subject to renewal upon expiry. Our Directors do not expect any impediment in the renewal of our licenses.

The table below sets forth a summary of the licenses and regulatory approvals that we have obtained for our business operations as of the Latest Practicable Date:

| Type of License or Regulatory Approval | Number of Licenses |
|---|---|
| Business License | 588 |
| Food Operation License | 572 |
| Publication Operation License | 1 |
| Single-Purpose Commercial Prepaid Cards Registration | 1 |
| Self-built Online Food Trading Website Filing for Food Producer and Trader | 1 |
| Pollution Discharge License/Registration | 3 |
| Public Assembly Place Fire Inspection Approval | 169 |

## LEGAL PROCEEDINGS AND COMPLIANCE

### Legal proceedings

From time to time, we may become a party to various legal or administrative proceedings arising in the ordinary course of our business, including actions with respect to breach of contract and labor and employment claims. For example, during the Track Record Period, we were defendant to certain contract disputes lawsuits, all of which were closed as of the Latest Practicable Date after we settled them for an immaterial sum. These lawsuits did not, individually or in the aggregate, have a material adverse effect on our business, financial condition, cash flow or results of operations. We are currently not a party to, and we are not aware of any threat of, any legal or administrative proceedings that, in the opinion of our management, are likely to have any material and adverse effect on our business, financial condition, cash-flow or results of operations.

## Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

For more information about the laws and regulations that we are subject to, please see "Regulations".

## Non-compliance incidents

We had certain non-compliance incidents during the Track Record Period, as described in more detail below. We endeavor to open new stores after it has obtaining all necessary licenses, permits and approvals required under the relevant PRC rules and regulations in the future.

### *Fire safety non-compliance*

*Background and reasons for non-compliance*

During the Track Record Period and up to the Latest Practicable Date, we had a total of five stores that commenced operations before completing the required pre-opening fire safety inspections (the "**Fire Safety Inspections**") due to the Regulatory Change as described below. These Fire Safety Inspections are required by *The Notice on the Full Implementation of the Notification and Commitment Management of Public Assembly Place Fire Safety Inspections before Commencement of Operations* (《關於貫徹實施新修改<中華人民共和國消防法>全面實行公眾聚集場所投入使用營業前消防安全監察告知承諾管理的通知》) (the "**Notice**"), which was released by the Beijing Fire and Rescue Force on July 20, 2021 and which became effective on July 26, 2021, superseding the prior regulations (such change in regulations, the "**Regulatory Change**"). Pursuant to the Notice, all public assembly places in Beijing, such as restaurants, are required to complete Fire Safety Inspections before commencing operations, regardless of their property size. By contrast, under the prior regulations, public assembly places with a property size of less than 300 square meters were only required to complete Fire Safety Inspections in certain cities.

Although our employees had made applications for the Fire Safety Inspections for these five stores before such stores commenced operations, we did not obtain such approvals in a timely manner primarily because (i) there was a significant increase in the number of applications for Fire Safety Inspections after the Regulatory Change, which caused an increase in the processing time for such applications; and (ii) the ability of the relevant fire safety authorities to conduct onsite inspections has been hindered by the COVID-19 pandemic (and control measures related thereto), as well as seasonal holidays, causing further processing delays.

Even though the above-mentioned five stores did not formally complete the Fire Safety Inspections before commencing operations, each of these five stores had been inspected on site by fire safety enforcement staff from a competent authority who is in charge of accepting Fire Safety Inspection applications and conducting fire safety onsite checks for the relevant stores before such stores commenced operations. Fire safety inspections were also conducted on a routine basis on the premises of the five stores. After these on-site inspections and our verbal communications with the relevant fire safety enforcement staff on-site, and as of the Latest Practicable Date, we have not received any requests, rectification orders or administrative penalties from any of the relevant fire safety authorities with respect to the operations of any of the above-mentioned five stores. Based on our communications with the fire safety enforcement staff during on-site inspections, we are compliant with the applicable fire safety laws and regulations in all material respects, and we have verbal permission to continue our operations as long as the relevant stores remain in compliance with the fire safety standards. We have therefore continued the operations of those five stores.

Except for the above-mentioned five stores, all of our stores in the PRC have obtained all necessary licenses, permits and approvals required under the relevant PRC rules before their respective commencement of operations during the Track Record Period.

*Latest status and potential legal consequences*

The status, as of the Latest Practicable Date, of the Fire Safety Inspections for the five stores that were unable to complete such Fire Safety Inspections during the Track Record Period are as described below.

Two stores successfully completed their Fire Safety Inspections in April 2022 and in October 2022, respectively. As advised by our PRC Legal Advisor, the risk of these two stores being subject to any administrative order or penalty for not completing the Fire Safety Inspections before commencing operations is remote, given that (i) these two stores have obtained the Fire Safety Inspection certificates without material impediments, and (ii) we have not received any rectification orders or administrative penalties in the course of applying for the requisite Fire Safety Inspections or at any time prior to the commencement of each of these two stores' operations.

As of the Latest Practicable Date, we have submitted applications to conduct Fire Safety Inspections for each of the remaining three stores. However, each of these applications have been deferred by circumstances beyond our control. In particular:

(i) The application for one store has been deferred because this store is located in a building that is currently undergoing building-wide, fire safety-related renovations. Until these renovations are completed, our application for this store's Fire Safety Inspection cannot be processed. We expect to complete the Fire Safety Inspection for this store by the end of 2022.

(ii) The applications for two stores have been deferred because the landlords for these stores have yet to provide us with certain supplemental information that have been requested by the competent authorities. We have been, and are, actively communicating with the relevant landlords to obtain the necessary information.

We plan to re-submit our applications for each of the three stores as soon as practicable, which will be when the building-wide renovation is completed or when the relevant landlords provide us with the necessary information, as applicable. For the two stores whose applications have been deferred due to a lack of information from the landlords, we expect to obtain approval of the applications in the first half of 2023.

If we are unable to obtain the Fire Safety Inspection certificates for the above-mentioned three stores before Listing, we will suspend their operations as a rectification measure. As advised by our PRC Legal Advisor, pursuant to the PRC Fire Prevention Law, each of these stores may be ordered to cease operations and close by the competent government authorities, and we may be subjected to fines ranging from RMB30,000 to RMB300,000 for each incident. Should this occur, we may seek indemnities from the landlords of these stores pursuant to our lease agreements with them, which provide, among other things, that (i) such landlords must assist us with obtaining the relevant fire safety licenses and ensuring that the store properties comply with applicable fire safety regulations, and (ii) if we are unable to normally operate our stores for reasons attributable to these landlords, they must indemnify us for our losses on the terms specified in the relevant lease agreement. Our PRC Legal Advisor further advised that, as long as each of them complies with the applicable fire safety standards in the course of their operations and would be able to complete any rectifications requested by the competent authorities, the risk of us being required to close such stores before we receive any rectification order by competent authorities is low. During the Track Record Period, the aggregate revenue generated by these three stores from the date of their opening was RMB4.3 million, which represents approximately 0.17% of the total revenues generated over the three and half years of the Track Record Period.

*Rectification and compliance measures*

We have always placed great emphasis on fire safety protection for each of our stores, and have adopted a series of internal control measures to mitigate the risk of potential fire hazards before commencing operations at any given store. We have always complied with the local laws and regulations on fire safety protection for all of stores in all material respects. We believe that the above-mentioned issues with the five stores are not an indication of any systematic issue with respect to fire safety protection in our Group. As of the Latest Practicable Date, among the five stores that did not complete the Fire Safety Inspections prior to commencing operations, two stores have successfully completed the Fire Safety Inspections during the course of their operations. For the remaining three stores, we will re-submit our applications for Fire Safety Inspection as soon as practicable. If we are unable to obtain the Fire Safety Inspection approvals for the three stores before Listing, we plan to suspend their operations to fully comply with the laws and regulations in respect of fire safety protection.

In addition, we believe we have implemented a robust set of internal policies and taken relevant measures to ensure compliance before we open new stores, including those five stores that did not complete the required Fire Safety Inspections in time. Our key internal policies are described below:

- *Site selection*. Other than the selection criteria as set out in "– How we choose the locations of our Domino's Pizza Stores" and commercial reasons, we also require that the sites selected are in compliance with all fire safety requirements, and will consider whether the structure of the building of the site has satisfied the applicable regulatory requirements including, among others, on fire safety and whether the building of the site has been equipped with the relevant fire safety facilities. The independent construction company with professional qualifications in fire safety facilities construction engaged by our Group will review the floor plans and structure plans to see if there is any fire safety issue.

- *Lease agreements*. Lease agreements for our stores include contractual terms providing that the owners of the relevant properties shall assist us in providing the required fire safety documents for us to complete the relevant applications in compliance with the applicable laws and regulations in relation to fire safety.

- *Stores located in shopping malls.* For the Group's stores located in shopping malls, we have requested the applicable lessor to provide written proof of fire compliance of the shopping malls for us to review before we commence operations in the mall. Such proof includes, among others, fire safety planning and design opinions, fire safety construction acceptances, fire safety inspection approvals and fire safety check opinions. In addition, we review the lease contracts of the Group's stores, which usually contain representations and warranties made by the lessor with respect to fire safety compliance, as well as the corresponding damages clauses. For example, if the store is unable to apply for the required fire safety licenses (which always include the Fire Safety Inspection) to commence our operations due to the fault of the lessor, the lessor shall compensate us for our losses, generally in the amount of several months' rent. As of the Latest Practicable Date, no major fire safety non-compliance issues were found with these shopping malls where the Group's stores are located.

- *Design and decoration*. We engage multiple design companies with expertise and experience in designing stores to sketch and provide us with design ideas that comply with fire safety requirements and food and drug requirements; we also engage multiple construction and decoration companies with licenses and other professional qualifications to decorate our restaurants. We start to apply for relevant approvals and other materials at the beginning of the decoration of our stores, and the competent authorities will come to our stores by the end of the decoration for inspections. If the authorities find our stores meeting the requirements for opening, the Fire Safety Inspection Approval will be issued. Our engineering department also conducts inspections upon the completion of the decoration.

- *Fire safety policies*. We have established our in-store fire safety management policies, which unify the fire safety practice at every store throughout our network. Our heightened in-store fire safety management policies provide detailed guidance on the use and maintenance of fire safety facilities. According to the heightened in-store fire safety management policies, every store shall make plans for fire safety work and conduct fire safety inspection on a regular basis. As of the Latest Practicable Date, all of our stores have cooperated with the applicable fire departments for fire-safety spot checks and irregular onsite inspections and passed such examination.

- *Employee trainings*. We provide regular trainings on fire safety to our in-store staff and other employees, which cover key aspects of our daily operations. We also organize fire drills on a regular basis to increase our employees' fire safety awareness.

We have enhanced our internal control measures and procedures with respect to fire safety to manage associated risks and prevent re-occurrence of such non-compliance incidents. Set forth below are key efforts we have made:

- *Management of licences, permits and approvals*. Our licenses, permits and approvals management policies explicitly require every new store to be opened only after all necessary licences, permits and approvals required under the relevant PRC rules and regulations are obtained. Accordingly, we will only open new restaurants after they have obtained all necessary licences, permits and approvals required under the relevant PRC rules and regulations going forward.

- *Designated personnel*. According to our licenses, permits and approvals management policies, we designate dedicated personnel to manage the licenses, permits and approvals required for our business operation, who are responsible for monitoring their status and renewing those close to expiration in a timely manner.

In preparation for the Listing, the Group has engaged an independent third party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of our internal controls over financial reporting in November 2021 (the "**Internal Control Review**"). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us, the Sole Sponsor and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant include restaurant opening procedures, but do not cover the overall management of fire safety compliance.

Based on the recommendations received, the Group has implemented enhanced controls to prevent the recurrence of such non-compliance. The Group has formulated a "Restaurant Opening/Closing Checklist and Management Procedure," which requires various functional departments (e.g., Construction, Equipment, Human Resources, Finance and Operations) to prepare for restaurant opening in accordance with detailed checkpoints. Several checkpoints

are related to obtaining required licenses (such as the Fire Safety Inspection Approval, where applicable, Business License, Food Operation Permits, among others) in a timely manner. Each functional department signs off the checklist after completing the assigned check points and the Regional Manager must review and sign off on the completed checklist before the restaurant may officially open for business.

In addition, the Construction Department is responsible for collecting updated regulations regarding Fire Safety Compliance in various cities and performs Restaurant Opening Check for Fire Safety Inspection based on the latest requirements.

The Internal Control Consultant performed a follow-up review in April 2022 and did not have any further recommendations. The Internal Controls Review and the follow-up review were conducted based on information provided by the Group and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

After taking into account the above enhanced internal control measures and the results of the follow-up review by the internal control consultant, our Directors are of the view, and the Sole Sponsor, after conducting relevant due diligence, concurs with our Directors, that our Group's enhanced internal control measures in relation to the fire safety, are adequate and effective.

***Labor dispatch non-compliance***

According to the PRC Labor Contract Law and the Interim Provisions on Labor Dispatch, an employer must control the use of dispatched workers, and the number of dispatched workers must not exceed 10% of the total number of its workers, where the total number of workers refers to the sum of the number of employees who have entered into labor contracts with the employer and the number of dispatched workers used by the employer.

During the Track Record Period, the number of our dispatched workers exceeding the legal threshold was 41, 112, 259 and 287 in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Nevertheless, there is no substantial difference in the salary standards, social insurance and housing funds coverage between the dispatched workers and the employees with whom the relevant subsidiary entered into standard labor contracts. As of the Latest Practicable Date, the relevant subsidiary has reduced the number of dispatched workers to below the 10% legal limit. As such, the labor dispatch non-compliance was fully rectified as of the Latest Practicable Date.

Our PRC Legal Advisor is of the opinion that the risk of the relevant subsidiary being penalized for its labor dispatch non-compliance during the Track Record Period is remote, given that the issue has been rectified in a timely manner, and we have obtained compliance letters from the competent authorities proving that none of our subsidiaries had been subject to any administrative order or penalties in relation to labor and social security during the Track Record Period.

We have adopted internal control policies that require our regional human resources department to calculate, on a regular basis, (i) the ratio of dispatched staff to the total number of staff, and (ii) the maximum number of dispatched staff we are permitted to engage. We require our human resources department to submit this ratio to the head of our human resources department for review and approval to ensure our compliance with the relevant regulatory requirements in the PRC with respect to dispatched labor.

***Advertising and promotional materials non-compliance***

Between 2016 and 2019, certain of our advertising and promotional materials were fined or otherwise penalized for allegedly breaching PRC advertising laws. These non-compliance issues mainly arose in connection with using puffing language or not including sufficient details when explaining promotional rules in our advertising and promotional materials. These penalties totaled approximately RMB1.2 million in fines, substantially all of which were imposed before the Track Record Period, and a warning from a government agency in Beijing. The penalties did not have a material adverse on our business, financial condition or results of operations. We engaged legal counsel to review our advertising language and internal policies and have since updated our advertising and promotional policies to prevent similar violations in the future.

## OVERVIEW OF PRC LAWS AND REGULATIONS

### Laws and Regulations Relating to Corporation and Foreign Investment

Under the PRC legal regime, the establishment, operation, and management of companies in China is governed by the PRC Company Law (the "**Company Law**") (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People's Congress of the PRC on December 29, 1993, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. Pursuant to the Company Law, companies established in the PRC may take forms of company of limited liability or company limited by shares. Each company has the status of legal persons and uses the assets it owns to bear its liability. The foreign-invested company shall also abide by the Company Law unless relevant laws and regulations provide otherwise.

On March 15, 2019, the National People's Congress promulgated the 2019 PRC Foreign Investment Law of the PRC (the "**Foreign Investment Law**") (《中華人民共和國外商投資法》), which became effective on January 1, 2020, and replaced the major former laws and regulations governing foreign investment in the PRC. According to the Foreign Investment Law and its implementing rules, the state adopts a system of pre-entry national treatment plus a negative list for foreign investment administration. Foreign investors shall not invest in the prohibited industries as specified in the negative list, and they must meet certain conditions stipulated in the said negative list before investing in the restricted industries, while foreign investments beyond the negative list will be granted national treatment.

The current requirements of industry entry clearance governing investment activities in the PRC by foreign investors are set out in two categories, namely the Special Administrative Measures (Negative List) (Edition 2021) for Foreign Investment Access (《外商投資准入特別管理措施(負面清單) (2021年版)》), the latest amended version of which was jointly promulgated by the National Development and Reform Commission and the Ministry of Commerce on December 27, 2021, and took effect as of January 1, 2022, and the Encouraged Industry Catalogue for Foreign Investment (Edition 2020) (《鼓勵外商投資產業目錄(2020年版)》). Industries not listed in these two categories are generally deemed "permitted" for foreign investment unless otherwise restricted by other PRC laws. In general, catering services and related business operated by the Company is classified as an industry where foreign investments are allowed.

In accordance with the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") which was jointly promulgated by the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the State Administration for Industry and Commerce, the CSRC and the SAFE and took effect on September 8, 2006, as latest amended on June 22, 2009 by the MOFCOM, a foreign investor was required to obtain necessary approvals when (i) it acquires the equity in a domestic enterprise or subscribes for the increased registered capital of whereby converting the latter into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which acquires and operates the assets of a domestic enterprise, or which acquires the assets of a domestic enterprise and thereafter injects those assets to establish a foreign-invested enterprise.

According to Article 11 of the M&A Rules, where a domestic company, enterprise or an individual, through an overseas company established or controlled by it/him/her, acquires a domestic company which is related to or connected with it/him, an approval from MOFCOM is required. Article 39 of the M&A Rules further provides that, offshore special purpose vehicles, formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, must obtain an approval from the CSRC prior to listing and trading of its securities on an overseas stock exchange. However, our PRC subsidiaries were established by us through foreign direct investment without involving any acquisition of the equity or assets of a "PRC domestic company" as defined under the M&A Rules. Therefore, under the PRC laws and regulations currently in effect, we are not required to obtain such approval from the MOFCOM or the CSRC.

On December 30, 2019, the Ministry of Commerce and the State Administration for Market Regulation, jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the said Measures, where a foreign investor directly or indirectly carries out investment activities in China, the foreign investor or the foreign-invested enterprise must forward the investment information to the competent commerce department for further handling.

**Laws and Regulations Relating to the Licenses and Permits**

***Food Safety***

In accordance with the Food Safety Law of the PRC (the "**Food Safety Law**") (《中華人民共和國食品安全法》), as effective on June 1, 2009 and latest amended on April 29, 2021, the State Council implemented a licensing system for food production and trading activities. Anyone who engages in food production, food selling, or catering services shall obtain the license according to the Food Safety Law.

Pursuant to the Food Safety Law, the food safety supervision and administration department of the State Council shall supervise and administer food production and trade activities according to the duties defined by the Food Safety Law and other standards prescribed by the State Council. The health administrative department under the State Council shall organize the implementation of risk monitoring and risk assessment of food safety according to the duties defined by the Food Safety Law and the State Council. The department shall also formulate and issue national food safety standards together with the food and drug administration under the State Council. Other relevant departments under the State Council shall carry out relevant food safety work according to the duties defined by the Food Safety Law and the State Council.

As sanctions for violation of the Food Safety Law, the Food Safety Law sets out various administrative penalties in the form of warnings, orders to rectify, confiscations of illegal gains, confiscations of utensils, equipment, raw materials, and other articles used for illegal

production and operation, fines, recalls and destructions of food in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation license, and even criminal punishment.

The Implementation Rules of the Food Safety Law (《中華人民共和國食品安全法實施條例》), which came into effective on July 20, 2009, and most recently amended on October 11, 2019, further specifies the detailed measures to be taken and conformed to by food producers and business operators in order to ensure food safety, as well as the penalties that shall be imposed should these required measures not be implemented.

***Food Operation Licensing***

On August 31, 2015, the Food and Drug Administration (now merged into the State Administration for Market Regulation) promulgated the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》), which was amended on November 17, 2017. According to the said Measures, a food operation license shall be obtained in accordance with the law to engage in food selling and catering services within the territory of China. Food business operation licensing shall be subject to the principle of "one license for one site", that is, a food operator shall obtain a food operation license to engage in food operation activities in one operation site. Food and drug administrative authorities shall implement classified licensing for food operations according to food operators' types and the degree of risk of their operation projects. The date on which the decision on licensing is made shall be the date of issuance of the food operation license, and the license is valid for five years. Food operators shall hang or place their food operation license originals in prominent places of their operation sites. Where the licensing items indicated on a food operation license change, the food operator shall, within ten (10) working days after the changes take place, apply to the food and drug administrative authority which originally issued the license for alteration of the operation license. Those who fail to obtain a food operation license and engage in food operation activities shall be punished by the local food and drug administrative authorities at or above the county level. Failures to comply with the above requirements may subject the food operators to legal consequences such as being ordered to rectify, receiving warnings and being fined.

***Food Recall System***

China Food and Drug Administration (now merged into the State Administration for Market Regulation) has promulgated the Administrative Measures for Food Recall (《食品召回管理辦法》), effective on September 1, 2015, amended on October 23, 2020. Food producers and operators shall, in accordance with the Administrative Measures for Food Recall, be the primary persons legally liable for food safety, establish and improve the relevant management systems, collect and analyze food safety information, and perform the obligations of ceasing to produce, operate, recall and dispose of unsafe foods. Where food business operators find the food under selling unsafe, they must immediately suspend the operations, inform relevant food producers and business operators, notify customers, and take necessary measures to mitigate food safety risks. Where food safety problems occur due to the food operators' own reasons,

the food operators shall voluntarily recall the food of questionable quality. Food producers knowing that any food produced or traded is unsafe must proactively recall such food, and if the food operators know that the food producers have recalled the unsafe food, they shall immediately adopt measures such as ceasing to purchase, sell, sealing up unsafe food, posting the recall announcement issued by the producers in a prominent position of operation premises, and cooperating with food producers to start recalling.

Where any food operator violates the Food Safety Law and the Administrative Measures for Food Recall and does not suspend the operation or proactively recall unsafe food in a timely manner, the food and drug administrative authorities shall issue warnings to it and impose fines between RMB10,000 and RMB30,000. Where any food operator who violates the Administrative Measures for Food Recall, or does not cooperate with food producers to recall unsafe food, the market supervisory and administrative authorities shall issue warnings to it and impose fines ranging from RMB5,000 to RMB30,000.

***Online Catering Services***

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

**Regulations Relating to the Sanitation of the Public Places**

The Regulation on the Administration of Sanitation in Public Places (《公共場所衛生管理條例》) effective on April 1, 1987, and latest amended on April 23, 2019, and the Implementation Rules for the Regulation for the Administration of Sanitation in Public Places (《公共場所衛生管理條例實施細則》) effective on June 1, 1991, and amended on December 26, 2017, were promulgated by the State Council and the Ministry of Health (later known as the National Health Commission) respectively. The said regulations were adopted to create favorable and sanitary conditions for the public places, prevent disease transmission and safeguard people's health. Depending on the requirements of the local health authorities, a restaurant operator shall obtain a public place hygiene license from the local health authority after applying for a business license to operate its business.

The Decision of the State Council on the Integration of Sanitary permits and Food Business licenses in Public places for Restaurant Services (《國務院關於整合調整餐飲服務場所的公共場所衛生許可證和食品經營許可證的決定》), which was promulgated by the State

Council on February 3, 2016, cancelled the hygiene license issued by the local health authorities for four kinds of public places mentioned above, and integrates the contents of the food safety permits into the food operation licenses issued by the food and drug regulatory authorities.

**Regulations Relating to Food Advertisement**

The Advertising Law of the PRC (the "**Advertising Law**") (《中華人民共和國廣告法》) was promulgated by the SCNPC on October 27, 1994, and was latest amended on April 29, 2021, which applies to the commercial advertising activities conducted by business operators or service providers within the territory of PRC to directly or indirectly introduce their commodities or services through a certain medium and form.

According to the Advertising Law of the PRC, advertisements shall not contain any false or misleading information, and shall not deceive or mislead customers. Each advertiser, advertising agent or advertisement publisher shall comply with laws and regulations, act in good faith, and conduct the fair competition when engaging in advertising activities. In an advertisement, the statements regarding the performance, function, place of origin, use, quality, ingredients, price, producer, valid period and guarantees of the product, or the content, provider, form, quality, price and guarantees of the service, shall be accurate, clear and explicit. Failure to comply with the Advertising Law may subject the violators to punishment, including but not limited to fine, confiscating advertising fees, suspension of the advertisement publishing business, revocation of business license, or revocation of advertisement censorship.

**Regulations Relating to Single-Purpose Commercial Pre-Paid Cards**

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

**Regulations Relating to E-Commerce Activities**

The obligations for operators of e-commerce platforms are clarified in the E-Commerce Law of the People's Republic of China (the "**E-Commerce Law**") (《中華人民共和國電子商務法》), which was promulgated by the SCNPC on August 31, 2018, and took effect on January 1, 2019. Pursuant to the E-Commerce Law, the e-commerce platforms shall:

(i) require merchants that apply to sell products or provide services on its platform to submit truthful information, including the identities, addresses, contacts, and licenses;

(ii) verify and examine the information mentioned above;

(iii) establish registration archives and verify, examine and update such information on a regular basis;

(iv) submit identification information of merchants on its platform to market regulatory authorities and remind merchants that have not registered with market regulatory authorities to complete the relevant registration;

(v) submit identities and tax payment-related information of the merchants on its platform to tax authorities and remind merchants that have not registered with tax authorities to complete the relevant tax registration;

(vi) conspicuously display the terms of platform service agreements, transaction rules or links to such information on the homepage of the platform and ensure that merchants and consumers can read and download such information conveniently; and

(vii) restrain from deleting any comments made by consumers on any products sold or service provided on its platform.

Where an e-commerce platform operator fails to take necessary measures when it knows or should have known that the products or services provided by a merchant on its platform do not meet the requirements regarding personal or property safety or commits any other acts that impair the lawful rights and interests of consumers, such operator shall be held jointly liable with the merchants on its platform. Where an e-commerce platform operator fails to verify and examine the qualifications of a merchant on its platform or fails to fulfill its obligation to assure the safety of consumers concerning products or services affecting consumers' life and health, which results in damage to consumers, such operator shall take the corresponding liability. Where an e-commerce platform operator knows or should have known that a merchant on its platform has infringed any intellectual property right of other third parties, it shall take necessary measures, such as deleting or blocking the relevant information, disabling the relevant links, and terminating the relevant transactions and services; otherwise, such operator shall be held jointly liable with the infringing party.

**Laws Relating to Consumer Rights and Benefits**

The principal legal provisions for the protection of consumer interests are set out in the PRC Consumer Rights and Interests Protection Law (the "**Consumer Protection Law**") (《中華人民共和國消費者權益保護法》), which was promulgated on October 31, 1993, and came into effect on January 1, 1994, and was subsequently amended in 2009 and 2013. Pursuant to the Consumer Protection Law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage, and term of validity of the commodities. Failure to comply with the Consumer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacing or repairing the commodities, mitigating the damages, compensation, and restoring the reputation, and subject the business operators or the responsible individuals to criminal penalties if business operators commit crimes by infringing the legitimate rights and interests of customers.

According to the Consumer Protection Law, where operators knowingly provide consumers with defective commodities or services causing death or serious damage to the health of consumers or other victims, the victims may require operators to compensate them for losses in accordance with the Consumer Protection Law and other relevant provisions, and claim punitive compensation of not more than two times the amount of losses incurred. The Food Safety Law also provides the amount of punitive compensation that the operators knowingly provide food failing to meet the food safety standards shall paid the victims, which is ten times the price paid or three times the loss unless the amount of the additional compensation is less than RMB1,000 where the punitive compensation shall be RMB1,000.

**PRC Competition Law**

The principal legal provisions governing market competition are set out in the Anti-unfair Competition Law of the PRC (the "**Anti-Unfair Competition Law**") (《中華人民共和國反不正當競爭法》), which was promulgated by the Standing Committee of the NPC on September 2, 1993, and then amended respectively on November 4, 2017, and April 23, 2019. In accordance with the Competition Law, operators should abide by the principles of involuntariness, equality, fairness, honesty, and credibility, and abide by laws and recognized business ethics when trading in the market. When an operator disrupts the competition order and infringes the legitimate rights and interests of other operators or consumers in violation of the Anti-Unfair Competition Law, its behavior constitutes unfair competition. When the legitimate rights and interests of an operator are damaged by unfair competition, the operator may start a lawsuit in the people's court. In contrast, if an operator violates the provisions of the Anti-Unfair Competition Law, engages in unfair competition, and causes damage to another operator, it shall be liable for damages. If the damage suffered by the injured operator is difficult to ascertain, it shall be determined in accordance with the profit obtained by the infringer through the infringement. The infringer shall also bear all reasonable expenses paid by the infringed operator to stop the infringement.

**Regulations Relating to Real Estate Leasing**

According to the PRC Civil Code (《中華人民共和國民法典》) which took effect on January 1, 2021, the lessee may sublease the leased premises to a third party with the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. In contrast, the lessee may terminate the lease contract if the leased property could not be used due to the reasons of the lessors, such as the ownership of the leased real estate is in dispute.

Pursuant to the PRC Civil Code, if the mortgaged property has been leased and transferred for occupation before the establishment of the mortgage right, the original tenancy shall not be affected by such mortgage right. According to the Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings (Revised 2020) (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》(2020年修正)), which was promulgated by the Supreme People's Court on July 30, 2009, and amended on December 29, 2020, if the ownership of the leased premises changes during the period when the lessee is in possession in accordance with the lease contract, and the lessee requests the assignee to continue to perform the original lease contract, the PRC court shall support it, except that the mortgage right has been established before the real estate being leased and the ownership changes due to the mortgagee's realization of the mortgage right.

According to the Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings (Revised 2020) (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》), a lease contract of a building constructed without construction planning permit or in violation of such permit shall be void. However, if such construction planning permit or a construction approval from competent authorities is obtained before the close of court debate in the first instance, the court shall determine the lease contract as valid.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) (the "**New Lease Measures**"), which became effective on February 1, 2011, and replaced the Administrative Measures for Urban House Leasing (《城市房屋租賃管理辦法》). Pursuant to the New Lease Measures, parties shall register and file with the local property administration authority within thirty days after entering into the lease contract. Non-compliance with such registration and filing requirements shall be subject to fines up to RMB10,000. However, according to the PRC Civil Code, failure to register and file with the authority in accordance with the provisions of laws, administrative rules and regulations would not prejudice the validity of the contract.

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》), adopted by the Standing Committee of the Sixth National People's Congress on June 25, 1986, and latest amended on August 26, 2019, and the New Lease Measures, the land shall be

used strictly in line with the purposes determined in the general land use plan whether by units or individuals, and the usage of land defined in the general use plan shall not be changed without the approval of the authority who approved the plan originally. Where the original use of the real state is changed in violation of the relevant provisions, the local competent construction (real estate) department at municipality, city or county level shall order the violator(s) to rectify within a time limit. The department may also impose a fine of no more than RMB5,000 if there are no illegal gains. If there are illegal gains, the amount of fine imposed by the competent departments shall be more than one time and less than three times the illegal gains, but RMB30,000 at most.

According to the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》) promulgated by the State Council on January 30, 2000, and most recently amended on April 23, 2019, and the Measures for the Administration of Filings for Post-Construction Inspection and Acceptance of Housing Building Projects and Municipal Infrastructure Projects (《房屋建築工程和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the Ministry of Construction (now revoked) on April 7, 2000 and most recently amended by the Ministry of Housing and Urban-Rural Development on October 19, 2009, the construction entity shall organize the entities of design, construction, project supervision, etc. to conduct as-built acceptance check after receiving the project completion report. The construction project could be delivered for use only after it has passed the as-built acceptance. The construction unit shall, within 15 days from the date of passing the acceptance, file with the competent construction department of the local government at or above the county level where the project is located. Those who fail to organize the acceptance or fail to it and deliver the construction for use without authorization shall be ordered to rectify, and the construction entity shall be fined not less than 2% but not more than 4% of the contract price of the project.

According to the Measures of Beijing Municipality for Administering the Safe Use of People's Air-raid Projects and Ordinary Basements (2021 Amendment) (《北京市人民防空工程和普通地下室安全使用管理辦法(2021修改)》) which took effect on December 30, 2021, where any underground space is used for business, culture and entertainment, hotel as well as other production and operation activities, a registration shall be filed at the competent administrative department. Anyone who engages in operation activities leases or uses the underground space without making such a registration shall be ordered to make corrections, and be subject to a fine between RMB10,000 and RMB30,000. According to Procedures of Shanghai Municipality on the Administration of Safe Use of Underground Spaces (《上海市地下空間安全使用管理辦法》) which took effect on June 21, 2016 and the Detailed Implementation Rules for the Administration of Filing of Ordinary Basement Use (《上海市普通地下室使用備案管理實施細則》) which took effect on July 1, 2018, in case civil defense projects and ordinary basements open to the public for production, business and other activities are put into use, the property owner and the property management unit shall report relevant information to the municipal or district/county civil defense office for transacting filing procedures. Those who fail to fulfill the filing procedures shall be warned and ordered to make a correction within a prescribed time limit. Individual shall be subject to a fine between RMB100 and RMB1,000, and entities shall be subject to a fine between RMB500 and RMB5,000.

## Regulations Relating to Fire Prevention

### *Fire Prevention Design Procedure*

According to the Fire Prevention Law of the PRC (the "**Fire Prevention Law**") (《中華人民共和國消防法》), promulgated by the SCNPC on April 29, 1998, and latest recently amended on April 29, 2021, the fire prevention design of a construction project must conform to the national fire prevention technical standards. Construction projects are classified into two categories, namely special construction projects and other construction projects, and the former shall comply with more stringent requirements on fire prevention design procedure than the latter.

According to the Interim Provisions on the Administration of Fire Prevention Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) effective on June 1, 2020, for the restaurants, teahouses or coffee houses with more than 500 square meters and with entertainment functions, which belongs to the special construction projects, the construction entity shall apply for fire prevention design approval. With respect to other restaurants, teahouses or coffee houses, when the construction entity applies for a construction permit or an approval of commencement report, it shall provide the fire prevention design drawings and technical materials satisfying the requirement of the construction and such construction project shall be subject to the filing and random inspection system.

Where a construction project that is subject to fire prevention design inspection according to the Fire Prevention Law fails to participate in or pass the review and inspection, the construction project shall be ordered by the competent government authorities to close down and be fined not less than RMB30,000 nor more than RMB300,000. Where fire prevention design drawings or technical materials as needed for construction fail to be submitted by other construction projects, the relevant department shall neither issue a construction permit nor approve the construction commencement report.

### *Fire Prevention As-built Acceptance Check and Filing*

Pursuant to the Fire Prevention Law of the PRC, the competent housing and urban-rural development authority replaced fire and rescue departments to monitor and administer the fire prevention as-built acceptance check and filing. Where the competent department of housing and urban-rural development under the State Council requires an application of the construction projects for acceptance checks for fire prevention, the construction entities shall apply to the competent department of housing and urban-rural development for acceptance checks for fire prevention. With respect to construction projects other than those mentioned above, construction entities shall, after an acceptance check, report their results to the competent department of housing and urban-rural development for record, and such department shall conduct random inspections thereof.

According to the Interim Provisions on the Administration of Fire Prevention Design Review and Acceptance of Construction Projects, for the special construction projects, including the hotels, restaurants, shopping malls and markets with a total construction area of more than 10,000 square meters and the restaurants, teahouses or coffee houses with entertainment functions and with a total construction area of more than 500 square meters, the construction entity shall apply for acceptance checks for fire prevention, for other construction projects apart from special construction projects and requiring fire control design in accordance with the national technical standards on fire control for engineering construction, the construction entity shall complete the fire prevention filing.

Where an as-built construction project that is subject to fire prevention final inspection according to the Fire Prevention Law fails to participate in or pass the check and inspection, the construction project shall be ordered by the competent government authorities to close down and be fined not less than RMB30,000 nor more than RMB300,000. The construction project that fails to report to the housing and urban-rural development authority for recordation after final inspection shall be ordered to take corrective action and be imposed a fine of not more than RMB5,000. If the construction project fails to pass the random inspection by the competent government authorities after the fire prevention recordation, the construction entity shall close down the construction project, and where rectification is not made, it shall be ordered by the competent authorities to close down or cease the business operations and be imposed a fine of not less than RMB30,000 nor more than RMB300,000.

***Fire Safety Inspection***

According to the Opinion on the Deepening the Reform of Fire Control Law Enforcement (《關於深化消防執法改革的意見》) promulgated jointly by the General Office of the CPC Central Committee and the General Office of the State Council on May 30, 2019, public gathering places are permitted to commence the business operation after obtaining business licenses or satisfying the conditions for use, and making their commitment on satisfying the conditions of fire safety standards to the fire-fighting department by submitting the application through governmental service online platform or in person.

Pursuant to the Fire Prevention Law amended on April 29, 2021, public gathering places include but not be limited to hotels, restaurants, shopping malls, markets, waiting rooms of passenger transport stations, waiting rooms of passenger transport docks, terminals of civil airports, gyms, stadiums, auditoriums, and public amusement places. The employer or the entity occupying the facility shall apply to the fire prevention and rescue department of the local people's government at or above the county level for a fire safety inspection before the use or commencement of the business operations in a public gathering place, make a commitment that the place complies with fire prevention technical standards and management provisions, submit the required materials, and be responsible for the authenticity of its commitment and materials. Any constructions illegally put into use, or public gathering place operated without passing the fire safety inspection or without satisfying the fire safety requirements, shall be ordered to discontinue the construction, use, production or operation and be fined not less than RMB30,000 but not more than RMB300,000 from the competent

departments of housing and urban-rural development and the relevant fire rescue agencies according to their respective duties. However, standards issued or adopted by local competent departments on what kind of catering places shall satisfy the requirements said above are not unified at present.

**Regulations on Environmental Protection**

***Environment Protection Law***

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

According to the provisions of the Environmental Protection Law, in addition to other applicable laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Construction projects that have environmental impact shall be subject to environmental impact assessment. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal part of the project. Such installations shall not be dismantled or left idle without authorization from the competent government agencies.

The Environmental Protection Law clarifies that the punishments for any violation of said law include but not limited to warning, fine, rectification within a time limit, compulsory ceasing of operations, compulsory reinstallation of installations for the prevention and control of pollution, compulsory shutout or closedown, or even criminal punishment.

***Laws on Environment Impact Assessment***

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

According to Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (《建設項目環境影響評價分類管理名錄》), issued on September 2, 2008, and amended on April 28, 2018, construction projects with regard to the catering industry are classified as to fill in an EIRF. Where the EIFR is failed to be filled out in accordance with the law, the environmental protection administrative department at or above the county level shall order the construction entity to fill out, and impose a fine of not more than RMB50,000. On November 30, 2020, the Ministry of Ecology and Environment of the PRC promulgated the Classified Administration Catalogue of the Environmental Impact Assessment for Construction Projects (2021) (《建設項目環境影響評價分類管理名錄(2021)》), which became effective on January 1, 2021, and repealed the Classified Administration Catalogue issued in 2018. In Accordance with the Classified Administration Catalogue (2021) mentioned above, construction projects with regard to the catering industry are no longer required to submit the EIA documents.

***Laws and Regulations on Prevention and Control of Water Pollution***

The Law on Prevention and Control of Water Pollution of the PRC (《中華人民共和國水污染防治法》), which was promulgated on May 11, 1984 and most recently amended on June 27, 2017, provides principal provisions of water pollution control and prevention within the territory of the PRC. According to the provisions of the Water Pollution Prevention and Control Law, the Ministry of Environmental Protection and its local counterparts at or above county level shall take charge of the administration and supervision on the matters of prevention and control of water pollution, construct and improve urban drainage networks and sewage disposal facilities.

The Administrative Measures on Licensing of Urban Drainage (《城鎮污水排入排水管網許可管理辦法》), which was promulgated by the Ministry of Housing and Urban-rural Development on January 22, 2015 and came into effect on March 1, 2015, provides that enterprises, institutions and individual industrial and commercial households engaging in industry, construction, catering industry, medical industry and discharging sewage into the urban drainage network must apply for and obtain a license for urban drainage.

The Regulations on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》), which was promulgated by the State Council on October 2, 2013, and came into force on January 1, 2014, requires that urban entities and individuals shall dispose sewage through urban drainage facilities covering their geographical areas in accordance with relevant rules. Companies or other entities engaging in medical activities shall apply for a sewage disposal drainage license before disposing sewage into urban drainage facilities. Sewage-disposing entities and individuals shall pay sewage treatment fees in accordance with relevant rules.

***Laws and Regulations on Drainage Permits***

According to the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》), promulgated by the SCNPC on October 30, 1995, and latest amended on April 29, 2020, all enterprises that may cause environmental pollution during production and business operation shall introduce environmental protection measures in their plants and establish a reliable system for environmental protection.

In accordance with the Classification Management List for Fixed Source Pollution Permits (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》) issued by the Ministry of Ecology and Environment on December 20, 2019, the state implements a focused management and a simplification of emission permits based on the pollutant-discharging enterprises and other manufacturing businesses' amount of pollutants, emissions and the extent of environmental damage. The food manufacturing industry is not required to apply for the drainage permit but shall fill out a pollutant discharge registration form on the national pollutant discharge license management information platform to register its basic information, pollutant discharge information, pollutant discharge standards implemented, and pollution prevention and control measures taken, etc.

**Regulations Related to Labor**

***Labor Law and Labor Contracts Law***

Under the PRC Labor Law (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994, took into effect on January 1, 1995, and latest amended on December 29, 2018, the PRC Labor Contract Law (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, took into effect on January 1, 2008, and amended on December 28, 2012, and the Implementing Regulations of the Labor Contract Law (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and took into effect on September 18, 2008, labor relationships between employers and employees must be executed in written forms. These series of laws and regulations set out specific provisions concerning the execution, the terms and the termination of a labor contract, and the rights and obligations of the employees and employers, respectively. Wages may not be lower than the local minimum wage level. Employers must establish a system for labor safety and sanitation, strictly abide by state standards and provide relevant education to their employees. Employees are also required to work in safe and sanitary conditions. At the time of hiring, the employers shall truthfully inform the employees of the scope of work, working conditions, working place, occupational hazards, work safety, salary, and other matters which the employees request to be informed about.

***Social Insurance and Housing Funds***

Employers in the PRC are required to contribute, for and on behalf of their employees,to a series of social insurance funds, including funds for pension, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance, and housing fund. These payments are made to local administrative authorities and employers who fail to contribute may be fined and be ordered to make up for the outstanding contributions. The various laws and regulations that govern the employers' obligations to contribute to the social insurance funds include the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010, and amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was promulgated by the State Council on January 22, 1999, and amended on March 24, 2019, the Regulations on Work-related Injury Insurance (《工傷保險條例》), which was promulgated by the State Council on April 27, 2003, and amended on December 20, 2010, and the Regulations on Management of the Housing Fund (《住房公積金管理條例》), which was promulgated and became effective on April 3, 1999, and was amended on March 24, 2002, and on March 24, 2019.

According to the Notice Concerning the Safe and Orderly Collection and Administration of Social Insurance Premiums (《關於穩妥有序做好社會保險費徵管有關工作的通知》) issued by the General Office of the State Administration of Taxation on September 13, 2018, the tax authorities will collect all social insurance premiums uniformly from January 1, 2019. Before the completion of the reform of the social insurance collection agency, the relevant local authorities shall continuously optimize the payment service and ensure the continuous improvement of the business environment, and shall not organize and carry out the previous year's arrears check without permission.

***New Employment Patterns***

In response to labor issues associated with the newly emerged platform economy, the MOHRSS, the NDRC and six other ministries jointly promulgated the Guiding Opinions on New Employment Patterns which impose certain regulatory requirements on platform enterprises to safeguard the legal rights and interest of workers. The focus of the Guiding Opinions on New Employment Patters are major platform industries, including travel, food delivery, instant delivery and intra-city freight, among others. Based on the principles set out in the Guiding Opinions on New Employment Patterns, the SAMR, the NDRC, the CAC and four other ministries jointly issued the Guiding Opinions for Online Catering Platforms, which specifies that certain employer obligations should be borne by online catering platforms in order to protect the legal rights and interests of delivery riders.

As advised by our PRC Legal Advisor, we would not be regarded as an "online catering platform" or a "third party that collaborates with online catering platforms" on the following bases:

(i) Although the definition of "online catering platform" is not clear under the Guiding Opinions for Online Catering Platforms, the terms "platform" or "platform economy" have been described with particularity in other rules or guidelines issued by the competent ministries. For example, on December 24, 2021, the NDRC, the SAMR, the MOHRSS, the CAC and the MIIT jointly promulgated the Opinions on Promoting the Healthy and Sustainable Development of Platform Economy (關於推動平台經濟規範健康持續發展的若干意見), which clearly defined that the "platform economy is a new economic form with Internet platforms as the main carrier, data as the key production factor, a new generation of information technology as the core driving force, and network information infrastructure as important support". Pursuant to this definition, an "online catering platform" refers to an Internet-based company whose main business is to provide an online platform for take-away orders, whereas a restaurant offering delivery orders for its own products will not be regarded as an "online catering platform". Based on our understanding of the catering industry in the PRC, typical "online catering platforms", such as Meituan and Ele.me, (i) carry out their principal business activities through internet platforms, and (ii) have developed internet platforms that connect individuals (who may elect to register as either consumers or delivery riders) with a wide range restaurants to enable the delivery of food and beverages by delivery riders, from restaurants, to consumers. Such a business model differs substantially from ours, which is singularly focused on serving food from our own stores through a dedicated rider fleet. It is therefore unlikely that we would be deemed to be an "online catering platform".

(ii) As for the "third parties that collaborate with online catering platforms" mentioned in the Guiding Opinions for Online Catering Platforms, the Guiding Opinions on New Employment Patterns explicitly provide that a platform enterprise may collaborate with qualified third-party enterprises to organize labor for fulfilling platform-based work. On this basis, a "third party who collaborates with online catering platforms" refers to third-party enterprises with relevant labor resources licenses who are able to assign their employees to online platforms, but not restaurant operators registered on the online catering platforms. As of the date hereof, our delivery riders consist of our full-time and part-time employees, and certain riders employed by third-party delivery service providers who are assigned to us (the "**Outsourced Riders**"). We have entered into delivery service contracts with third-party delivery service providers, pursuant to which some Outsourced Riders are assigned to us by third-party delivery service providers to satisfy our delivery demands. However, we have not and do not assign any of our employees to online catering platforms; nor do we have the relevant licenses to do so. Therefore, we are not a "third party who collaborates with online catering platforms" as such term used in the relevant regulatory opinions.

***Labor Dispatch***

According to the Interim Provisions on Labor Dispatch(《劳務派遣暫行規定》) issued on January 24, 2014, and implemented on March 1, 2014, by the Ministry of Human Resources and Social Security, employers may only use dispatched workers for temporary, ancillary, or substitute positions. The aforementioned temporary positions shall mean positions lasting for no more than six months; ancillary positions shall mean positions of non-major business that serve positions of major business; and substitute positions shall mean positions that can be

substituted by other workers for a certain period during which the workers who originally hold such positions are unable to work as a result of full-time study, being on leave or other reasons. According to the Interim Provisions on Labor Dispatch, employers should strictly control the number of dispatched workers, and the number of the dispatched workers shall not exceed 10% of the total amount of their employees. Where rectification is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.

**Regulations Relating to Intellectual Property Rights**

***Patent***

The SCNPC adopted the PRC Patent Law (《中華人民共和國專利法》) in 1984 and amended it in 1992, 2000, 2008 and 2020, respectively. A patentable invention or utility model must meet three conditions, e.g. novelty, inventiveness, and practical applicability. Patents will not be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds, methods used to nuclear transformation and substances obtained utilizing nuclear transformation, or designs of the pattern and the color of graphic printed matter and the combination of them that are primarily used to mark and identify. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining, and approving patent applications. A patent is valid for a twenty-year term for an invention, a ten-year term for a utility model, or a fifteen-year term for a design, commencing from the application date. Except for certain specific circumstances provided by law, any third-party users must obtain consent or a proper license from the patent owners to use the patent, otherwise, the use of the patent will constitute an infringement of the rights of the patent holder.

***Copyright***

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》) which was latest amended on November 11, 2020, and took effect on June 1, 2021, and related rules and regulations. Under the Copyright Law, the term of protection for copyrighted software is 50 years.

According to the Copyright Law, the right of performance is the right to publicly perform works and to publicly broadcast the performance of works by various means. A right owner may permit others to exercise the rights and may receive remuneration as agreed upon in the contract. The right of performance includes public performances in the form of public broadcasting, recordings or videos, and sound recording products screening with the help of technical equipment, such as playing background music in restaurants, bars, and other places. Where a sound recording is used for public dissemination by wired or wireless means or public broadcasting via audio transmission technical equipment, remuneration shall be paid to the maker of such sound recording.

The Implementing Regulations of the PRC Copyright Law (《中華人民共和國著作權法實施條例》) was promulgated in 2002 and amended in 2013. The PRC Copyright Law and its implementing regulations are the principal laws and regulations governing copyright-related matters. Under the amended PRC Copyright Law, products disseminated over the internet and software products, among others, are entitled to copyright protection. Registration of copyright is voluntary, and it is administrated by the China Copyright Protection Center.The State Council and National Copyright Administration (the "**NCA**"), have promulgated various rules and regulations relating to the protection of software in China, including the Regulations on Protection of Computer Software (《計算機軟件保護條例》) which was promulgated by State Council on January 30, 2013, and became effective since March 1, 2013, and the Measures for Registration of Copyright of Computer Software (《計算機軟件著作權登記辦法》) which was promulgated by NCA on February 20, 2002, and became effective since the same date. According to these rules and regulations, software owners, licensees, and transferees may register their rights in software with the NCA or its local branches and obtain software copyright registration certificates. Although such registration is not mandatory under PRC law, software owners, licensees, and transferees are encouraged to complete the registration process and thus the registered software rights may be entitled to better protections.

***Trademark***

Registered trademarks are protected under the Trademark Law (《中華人民共和國商標法》) of the PRC promulgated on August 23, 1982, and latest revised on April 23, 2019, and related rules and regulations. Trademarks are registered with the State Intellectual Property Office, formerly the Trademark Office of the SAIC. Where registration is sought for a trademark that is identical or similar to another trademark that has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for 10 years unless otherwise revoked. Furthermore, trademark license agreements must be filed with the Trademark Office for record.

***Domain Name***

On August 24, 2017, MIIT promulgated Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), repealing the Domain Name Measures (《中國互聯網絡域名管理辦法》) since November 1, 2017. The efforts to undertake internet domain name services as well as the operation, maintenance, supervision, and administration thereof and other relevant activities within the territory of the PRC shall thereafter be made in compliance with Administrative Measures for Internet Domain Names. Under the Measures on Country Top-level Domain Name Dispute Resolution (《國家頂級域名爭議解決辦法》) promulgated by the CNNIC, which became effective on June 18, 2019, domain name dispute can be resolved by a domain name dispute resolution institution recognized by the CNNIC. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

**Regulations Relating to Foreign Currency Exchange**

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

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》). SAFE further promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, as effective on June 9, 2016, which, among other things, amended certain provisions of SAFE Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign investment company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties.

Since 2012, SAFE has promulgated several circulars to substantially amend and simplify the current foreign exchange procedures. According to these circulars, the opening of foreign exchange accounts with various special purposes, the reinvestment with RMB proceeds by foreign investors in the PRC, and remittance of profits and dividends in foreign currency foreign investment to its foreign shareholders are no longer subject to the approval or verification of SAFE. In addition, domestic companies are allowed to provide cross-border loans not only to their offshore subsidiaries but also to their offshore parents and affiliates. SAFE also promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《國家外匯管理局關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》) in May 2013, as amended in October 2018, which specifies that the administration by SAFE or its local branches over foreign investors' direct investment in the PRC shall be conducted by way of registration, and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or the SAFE Circular 13, which became effective on June 1, 2015. SAFE Circular 13 delegates

the power to enforce the foreign exchange registration in connection with inbound and outbound direct investments under relevant SAFE rules from local branches of SAFE to banks, thereby further simplifying the foreign exchange registration procedures for inbound and outbound direct investments. On January 26, 2017, SAFE issued the Circular on Further Advancing Foreign Exchange Administration Reform to Enhance Authenticity and Compliance Reviews (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates several capital control measures concerning the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of the genuine transaction, banks shall checkboard resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall keep the income into the account for previous years' losses before remitting the profits. On October 23, 2019, the Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or the Circular 28, was promulgated and became effective. According to the Circular 28, non-investment foreign-funded enterprises are allowed to lawfully make domestic equity investments using their capital if the domestic investment projects are in compliance with the prevailing special administrative measures for access of foreign investments and the relevant regulations.

**Regulations Relating to Foreign Exchange Registration of Overseas Investment by PRC Residents**

On July 4, 2014, SAFE promulgated the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**Circular 37**") to simplify the approval process, and for the promotion of the cross-border investment. Circular 37 supersedes the Notice on Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under Circular 37, (i) a resident in mainland China must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle, or an Oversea SPV, that is directly established or indirectly controlled by the PRC resident to conduct investment or financing; and (ii) following the initial registration, PRC resident must update his or her SAFE registration when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term, increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions).

Under the SAFE Circular Further Simplification and Improvement Foreign Exchange Administration on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which promulgated by SAFE on February 13, 2015, and effective on June 1, 2015, the aforementioned registration shall be directly reviewed and handled by qualified banks, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

Failure to comply with the registration procedures outlined in Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or Affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control the company from time to time are required to register with the SAFE in connection with their investments in the company. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

**Regulations Relating to Stock Incentive Plans**

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

**Regulations Relating to Dividend Distribution**

The principal regulations governing the distribution of dividends of foreign-invested enterprises include the PRC Company Law, the Foreign Investment Law, and the Implementation Rules of the Foreign Investment Law (《中華人民共和國外商投資法實施》) promulgated by the State Council and took into effect on January 1, 2020. Under these laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated after-tax profits, if any, determined following PRC accounting standards and regulations. In addition, foreign-invested enterprises in China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year. Wholly foreign-owned companies may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

**Regulations Relating to Tax**

***Enterprise Income Tax***

Under the People's Republic of China Enterprise Income Tax Law (《中華人民共和國企業所得税法》) promulgated by NPC on March 16, 2007, which took into effect on January 1, 2008, and latest amended on December 28, 2018, and its implementing rules, enterprises are classified into resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%.

The Notice Regarding the Determination of Chinese-controlled Offshore Incorporated Enterprises as People's Republic of China Tax Resident Enterprises based on De Facto Management Bodies (《關於境外注冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) promulgated by the State Administration of Taxation on April 22, 2009, and amended on December 29, 2017, sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of mainland China and controlled by mainland Chinese enterprises or mainland Chinese enterprise groups is located within mainland China.

On July 27, 2011, SAT issued a trial version of the Administrative Measures for Enterprise Income Tax of Chinese-controlled Offshore Incorporated Resident Enterprises (for Trial Implementation) (《境外註冊中資控股居民企業所得税管理辦法》(試行)), which came into effect on September 1, 2011, and latest amended on June 15, 2018, to clarify certain issues in the areas of resident status determination, post-determination administration, and competent tax authorities' procedures.

The PRC Enterprise Income Tax Law and its implementing rules provide that dividends paid by a PRC entity to a non-resident enterprise for income tax purposes are subject to PRC withholding tax at a rate of 10%, subject to reduction by an applicable tax treaty with China. According to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise.

Under the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家税務總局關於執行税收協定股息條款有關問題的通知》), or the SAT Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior receiving the dividends. In October 2019, the State Administration of Taxation promulgated the Administrative Measures for Nonresident Taxpayers to Enjoy Treatment under Tax Treaties, or the SAT Circular 35, which became effective on January 1, 2020. SAT Circular 35 provides that non-resident enterprises are not required to obtain preapproval from the relevant tax authority to enjoy the reduced withholding tax. Instead, nonresident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. Accordingly, we may be able to benefit from the 5% withholding tax rate for the dividends received from PRC subsidiaries if it satisfies the conditions prescribed under SAT Circular 81and other relevant tax rules and regulations. However, according to SAT Circular 81 and SAT Circular 35, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

The SAT promulgated the Announcement of the SAT on Issues Regarding Beneficial Owner under Tax Treaties (《國家税務總局關於税收協定中"受益所有人"有關問題的公告》) on February 3, 2018, which addresses the methods to determine the "beneficial owners" under the double taxation avoidance arrangement between China and Hong Kong on dividends, interest and royalties.

***Value-added Tax and Business Tax***

According to the Provisional Regulations on Value-added Tax (《增值税暫行條例》) promulgated by the State Council on December 13, 1993, and amended on November 1, 2008, January 8, 2011, February 6, 2016, and November 19, 2017, and the Implementing Rules of the Provisional Regulations on Value-added Tax (《增值税暫行條例實施細則》) promulgated by

the Ministry of Finance on December 25, 1993, and amended on December 15, 2008, and October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax.

Under the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》), which took into effect on January 1, 1994, and were subsequently amended on November 10, 2008, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC shall pay business tax. The scope of services which constitute taxable services and the rates of business tax is prescribed in the List of Items and Rates of Business Tax (《營業稅稅目稅率表》) attached to the regulation.

Since January 1, 2012, the Ministry of Finance and the SAT have implemented the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》), which imposes VAT instead of business tax for certain "modern service industries" in certain regions and eventually expanded to nation-wide application in 2013. According to the implementation circulars released by the Ministry of Finance and the SAT on the VAT Pilot Program, the "modern service industries" include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) promulgated by the Ministry of Finance and SAT and took into effect on May 1, 2016, and was latest amended on March 20, 2019, provides that the pilot program of replacing business tax with value-added tax shall be implemented nationwide. Entities and individuals engaging in the sale of services, intangible assets, or fixed assets, all business taxpayers in the construction industry, real estate industry, finance industry, consumer service industry, etc. within the territory of the PRC shall be included in the scope of the pilot program and pay a value-added tax instead of the business tax. The business tax was then officially replaced by the value-added tax.

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

**Regulations Relating to Cybersecurity and Data Protection**

On June 10, 2021, the Standing Committee of NPC promulgated the Data Security Law (《數據安全法》) of the PRC, which came into effect on September 1, 2021. The Data Security Law sets forth the regulatory framework and the responsibilities of the relevant governmental

authorities in regulating data security. It provides that the central government shall establish a central data security work liaison system, which shall coordinate the relevant authorities covering different industries to formulate the catalogs of important data, and the special measures that shall be taken to protect the security of the important data. In addition, the Data Security Law provides that whoever carries out data processing activities shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security, in accordance with the provisions of laws and regulations. To carry out data processing activities by making use of the Internet or any other information network, the aforesaid obligations for data security protection shall be performed on the basis of the graded protection system for cybersecurity. Processors of important data shall specify the person(s) responsible for data security and the management body, and implement the responsibility of data security protection.

On November 7, 2016, the Standing Committee of NPC promulgated the Cybersecurity Law (《中華人民共和國網絡安全法》) of the PRC, which became effective on June 1, 2017, under which, network operators shall fulfill their obligations to safeguard the security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures under laws, regulations, and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality, and usability of network data. The network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements concluded with its users. The purchase of network products and services that may affect national security shall be subject to national cybersecurity review which prohibits individuals or entities from obtaining personal information through stealing or other illegal ways, selling, or otherwise illegally disclosing personal information.

The PRC Cybersecurity Law requires network operators, including internet information services providers among others, to adopt technical measures and other necessary measures following applicable laws, regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality, and availability of network data. Any violation of the provisions and requirements under the PRC Cybersecurity Law may subject internet service providers to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites, or even criminal liabilities.

The Cybersecurity Review Measures (《網絡安全審查辦法》) was promulgated by Cyberspace Administration of China, State Development and Reform Commission, Ministry of Industry and Information Technology, Ministry of Public Security, Ministry of State Security, Ministry of Finance, Ministry of Commerce, People's Bank of China, SAMR, National Radio and Television Administration, CSRC, National Administration of State Secrets Protection and

State Cryptography Administration in December 2021 and came into effect in February 2022. According to the Cybersecurity Review Measures, which superseded and replaced the current Cybersecurity Review Measures previously promulgated on April 13, 2020:

(i) the purchase of network products and services by a "critical information infrastructure operator" and the data processing activities of a "network platform operator" that affect or may affect national security shall be subject to the cybersecurity review;

(ii) if a network platform operator who possesses personal information of more than one million users intends to go public in a foreign country, it must apply for a cybersecurity review with the Cybersecurity Review Office; and

(iii) the relevant PRC governmental authorities may initiate cybersecurity review if they determine certain network products, services, or data processing activities affect or may affect national security.

On November 14, 2021, the CAC published the Regulations for the Administration of Cyber Data Security (Draft for Comment) (《網絡數據安全管理條例(徵求意見稿)》), or the draft data security regulations, for public comment by December 13, 2021. The draft data security regulations reiterate that a data processor who processes personal information of more than one million individuals must complete the cybersecurity review if it intends to be listed in a foreign country, and further stipulate that a data processor shall also apply for the cybersecurity review if it carries out data processing activities that affect or may affect national security. The draft data security regulations provide a broad definition of "data processing activities", including collection, storage, usage, processing, transfer, provision, publication, deletion, and other activities, which covers the entire life cycle of data processing. The draft data security regulations also provide a broad definition of "data processors" as individuals and entities that may autonomously determine the purpose and method of data processing activities. In addition, the draft data security regulations require data processors which process important data or whose securities are listed outside of China to carry out data security assessment annually either by themselves or through a third-party data security service provider and submit the assessment report to a local agency of the CAC. The draft data security regulations remain silent on what constitutes a situation that "affects or may affect national security" and are subject to public comments and further changes before being formally adopted and entering into effect.

According to the CAC's statement in a press conference on January 4, 2022 about the promulgation of the Cybersecurity Review Measures, which statement has been published on the official website of the CAC, the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the "**CCRTCC**") has been duly delegated by the CAC to accept applications for cybersecurity review and review applications materials. In March 2022, our PRC Legal Advisor and the Sole Sponsor's PRC Legal Advisor conducted a telephone consultation with the CCRTCC (the "**CCRTCC Consultations**"), pursuant to which the attendant officer of the CCRTCC confirmed that (i) our proposed listing in Hong Kong does

not fall under the scope of "listing in a foreign country" as prescribed in the Article 7 of the Cybersecurity Review Measures, and thus we do not need to voluntarily initiate application for cybersecurity review for our proposed listing in Hong Kong; (ii) the competent regulatory authorities would notify the Company if the Company was deemed to be associated with any national security risks; similarly, if the Company had not been notified to that effect, the Company would not be required to self-assess its national security risks; (iii) apart from the cybersecurity review application and self-assessment of national security risks as mentioned above, our PRC subsidiaries are also not subject to other notification, reporting or filing obligations to the CAC for our proposed listing. In addition, as the Draft Data Security Regulations have not come into effect, the Company is not required to self-assess its national security risks according to such draft.

Our PRC Legal Advisor is of the view that, the CCRTCC officers who attended the CCRTCC Consultations are the competent authority to give the assurances above, on the basis that: (i) the CCRTCC is duly authorized by the CAC to respond to inquiries in relation to Cybersecurity Review Measures and the acceptance of cybersecurity review applications; (ii) the CCRTCC Consultations were made through the official consultation hotline as published by the CAC.

Assuming the Regulations for the Administration of Cyber Data Security (Draft for Comment) and the Cybersecurity Review Measures ("**the Revised CRM**") are implemented in their current forms, our PRC Legal Advisor is of the view that the Company will be able to comply with the above regulations in all material respects on the basis that, (i) according to the CCRTCC consultations in March 2022, since the listing in Hong Kong is not treated as a listing abroad as referred to in the Revised CRM, the Company's proposed listing in Hong Kong will not trigger voluntary application for cybersecurity review under Article 7 of the Revised CRM, (ii) the Company has not received any notification from any PRC regulatory department stating that the Company has been identified as a critical information infrastructure operator, (iii) the data that the Company collects is limited to the necessary purpose for conducting its business activities and (iv) the Company stores limited employee information outside the PRC only because the SaaS service used by the Company is provided by a US vendor, and the possibility of the Company's data processing activities affect or may affect national security is relatively remote based on the factors set out in Article 10 of the revised CRM. However, considering the PRC regulatory department may have broad discretion over the interpretation of the term "affect or may affect national security" since there is no clear explanation or interpretation under current PRC laws and regulations, the possibility that the PRC regulatory department may take an opposite view from the Company's PRC Legal Advisor may not be completely ruled out. During the Track Record Period and up to the Latest Practicable Date, the Group had not been involved in any investigations or cybersecurity review made by the CAC and had not received any enquiry, warning, penalty or sanctions related to cybersecurity review or personal information from government authorities, except for the notice we received in August 2022 requiring us to complete certain rectification measures in connection with our app on Baidu Mobile Assistant. Our PRC Legal Advisor has advised us that, since the rectification requirement by the relevant authority does not concern the risk of the Company being subject

to cybersecurity review or data security assessment to the CAC, and the Company has taken immediate rectification measures as required by the notice, the receipt of the notice would not materially affect our ability to comply with the Revised CRM in all material aspects.

On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) (the "**Measures**") which came into effect on September 1, 2022. According to the Measures, a data processor shall declare security assessment for its outbound data transfer to the CAC through the local cyberspace administration at the provincial level to provide data abroad under any of the following circumstances: (i) where a data processor provides important data outside the territory of the PRC; (ii) where a critical information infrastructure operator or a data processor processing the personal information of more than one million individuals provides personal information outside the territory of the PRC; (iii) where a data processor has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals in total outside the territory of the PRC since January 1 of the previous year; and (iv) other circumstances prescribed by the CAC for which declaration for security assessment for cross-border data transfers is required.

**Regulations Relating to Internet Security**

Internet content in China is regulated and restricted from a state security standpoint. The Standing Committee of the National People's Congress enacted the Decisions on the Maintenance of Internet Security (《關於維護互聯網安全的決定》) on December 28, 2000, which was amended on August 27, 2009, that may subject persons to criminal liabilities in China for any attempt to:

(i) gain improper entry to a computer or system of strategic importance;

(ii) disseminate politically disruptive information;

(iii) leak state secrets;

(iv) spread false commercial information; or

(v) infringe upon intellectual property rights.

On December 16, 1997, the Ministry of Public Security issued the Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), which took effect on December 30, 1997, and were amended by the State Council on January 8, 2011, and prohibit using the internet in ways which, among others, resulting in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an ICP License holder violates these measures, the PRC government may revoke its ICP License and shut down its websites.

On December 13, 2005, the Ministry of Public Security issued the Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》) (the "**Internet Protection Measures**") which took effect on March 1, 2006. The Internet Protection Measures require internet service providers to take proper measures including anti-virus, data back-up, and other related measures, and to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content, and time of posts by users) for at least 60 days, discover and detect illegal information, stop transmission of such information and keep relevant records. Internet services providers are prohibited from unauthorized disclosure of users' information to any third parties unless such disclosure is required by the laws and regulations. They are further required to establish management systems and take technological measures to safeguard the freedom and secrecy of the users' correspondences.

**Personal Information Protection**

Under the Civil Code of the PRC, the personal information of an individual shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or publish personal information of others. In addition, the processing of personal information shall follow the principles of lawfulness, legitimacy and necessity. The personal information of a natural person shall be protected.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law (《中華人民共和國個人信息保護法》), which came into effect on November 1, 2021. The Personal Information Protection Law lays down the principles for personal information protection, including without limitation, stipulating an expanded definition of personal information, enhancing the notification and consent obligations, setting forth a series of personal information rights and imposing stringent requirements on data processors' internal personal information governing systems. Moreover, the Personal Information Protection Law significantly increases the punishment for violations of personal information protection and any personal information processor violating the law may be subject to rectification order, suspension or termination of business, confiscation of illegal gains, revocation of license and monetary fines in large amount.Furthermore, MIIT's Rules on Protection of Personal Information of Telecommunications and Internet Users contains detailed requirements on the use and collection of personal information as well as security measures required to be taken by telecommunications business operators and internet information service providers.

The Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若幹問題的解釋》), was promulgated on May 8, 2017, and became effective on June 1, 2017. The Interpretations clarified several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the PRC, including "citizens'

personal information", "violation of relevant national provisions", "provision of citizens' personal information" and "illegally obtaining any citizen's personal information by other methods". In addition, the Interpretations specify the standards for determining the "serious circumstances" and "extraordinary serious circumstances" of this crime.

Any internet service provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon orders, shall be subject to criminal penalty for the result of (i) any dissemination of illegal information on a large scale; (ii) any severe effect due to the leakage of the client's information;(iii) any serious loss of criminal evidence; or (iv) other severe situations. In addition, the Interpretations clarified certain standards for the conviction and sentencing of criminals concerning personal information infringement.

An internet information service provider is also required to properly maintain the users' personal information, and in case of any leak or likely leak of the users' personal information, it must take immediate remedial measures and, in severe circumstances, immediately report to the telecommunications authorities. Moreover, according to the PRC Criminal Law (《中華人民共和國刑法》), as latest amended in December 2020, any individual or entity that (i) sells or discloses any citizen's personal information to others in a way violating the applicable law, or (ii) steals or illegally obtains any citizen's personal information in a severe situation, shall be subject to criminal penalty.

On December 28, 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》), which took into effect on the same date, to enhance the legal protection of information security and privacy on the internet. On July 16, 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》), which took effect on September 1, 2013, to regulate the collection and use of users' personal information in the provision of telecommunication services and internet information services in China and the personal information includes a user's name, birth date, identification card number, address, phone number, account name, password and other information that can be used independently or in combination with other information for identifying a user.

On December 29, 2011, the MIIT promulgated the Several Provisions on Regulation of the Order of Internet Information Service Market (《規範互聯網信息服務市場秩序若干規定》), which took into effect on March 15, 2012. The Provisions stipulate that without the consent of users, internet information service providers shall not collect information relevant to the users that can lead to the recognition of the identity of the users independently or in combination with other information (hereinafter referred to as "personal information of users"), nor shall they provide personal information of users to others, unless otherwise provided by laws and administrative regulations.

**Regulations Relating to Mobile Internet Applications Information Services**

In addition to the Telecommunications Regulations and other regulations above, mobile internet applications and the internet application store are specifically regulated by the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》) (the "**Mobile Application Administrative Provisions**"), which were promulgated by the Cyberspace Administration of China (the "**CAC**") on June 28, 2016, and took effect on August 1, 2016. Under the Mobile Application Administrative Provisions, application information service providers shall obtain the relevant qualifications prescribed by laws and regulations, strictly implement their information security management responsibilities and carry out certain duties, including establishing and completing user information security protection mechanism and information content inspection and management mechanisms, protect users' right to know and right to choose in the process of the usage and to record users' daily information and preserve it for 60 days. Application store services providers shall, within 30 days of the business going online and starting operations, conduct filing procedures with the local cybersecurity and information department. Furthermore, internet application store service providers and internet application information service providers shall sign service agreements to determine both sides' rights and obligations.

Furthermore, on December 16, 2016, the MIIT promulgated the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals (《移動智能終端應用軟件預置和分發管理暫行規定》) (the "**Mobile Application Interim Measures**"), which took effect on July 1, 2017. The Mobile Application Interim Measures requires, among others, that internet information service providers must ensure that a mobile application, as well as its ancillary resource files, configuration files, and user data, can be uninstalled by a user on a convenient basis unless it is a basic function software, which refers to software that supports the normal functioning of hardware and operating system of a mobile smart device.

**Potential CSRC Report and Filing Required for This Offering**

On July 6, 2021, the General Office of the CPC Central Committee ("**Central Committee**") and the General Office of the State Council jointly published the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions indicate that the PRC government will take measures to strengthen regulation over illegal securities activities and supervision on overseas securities offerings and listings of China-based companies.

On December 24, 2021, the CSRC published the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》), and Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), (the "**Draft Overseas Listing Regulations**") (《境內企業境外發行上市備案管理辦法(徵求意見稿)》), which set out the new regulatory requirements and filing procedures for Chinese companies seeking direct or indirect listing in

overseas markets. The Draft Overseas Listing Regulations, among others, stipulate that Chinese companies that seek to offer and list securities in overseas markets shall fulfill the filing procedures with and report relevant information to the CSRC, and that an initial filing shall be submitted within three (3) working days after the application for an initial public offering is submitted. Moreover, an overseas offering and listing is prohibited under circumstances if (i) it is prohibited by PRC laws, (ii) it may constitute a threat to or endanger national security as reviewed and determined by competent PRC authorities, (iii) it has material ownership disputes over equity, major assets, and core technology, (iv) in recent three years, the Chinese operating entities and their controlling shareholders and actual controllers have committed relevant prescribed criminal offenses or are currently under investigations for suspicion of criminal offenses or major violations, (v) the directors, supervisors, or senior executives have been subject to administrative punishment for severe violations, or are currently under investigations for suspicion of criminal offenses or major violations, or (vi) it has other circumstances as prescribed by the State Council.

The Draft Overseas Listing Regulations, among others, stipulate that when determining whether an offering and listing shall be deemed as "an indirect overseas offering and listing by a Chinese company", the principle of "substance over form" shall be followed, and if the issuer meets the following conditions, its offering and listing shall be determined as an "indirect overseas offering and listing by a Chinese company" and is therefore subject to the filing requirement: (1) the revenues, profits, total assets or net assets of the Chinese operating entities in the most recent financial year accounts for more than 50% of the corresponding data in the issuer's audited consolidated financial statements for the same period; (2) the majority of senior management in charge of business operation are Chinese citizens or have domicile in PRC, and its principal place of business is located in PRC or main business activities are conducted in PRC.

As advised by our PRC legal counsel, the Draft Overseas Listing Regulations were released only for public comment at this stage and their provisions and anticipated adoption or effective date remain subject to change. There is therefore substantial uncertainty as to what the content of the final version and interpretation thereof will be. In their current form, the Draft Overseas Listing Regulations are not clear on the exact criteria of qualified issuers who must complete the CSRC filing procedures after submitting the application for an initial public offering overseas, and are not clear on whether qualified issuers which have submitted the application for initial public offering overseas but have not yet completed the whole listing process shall be subject to the said CSRC filing procedures. Although we cannot definitively predict the impact that the Draft Overseas Listing Regulations will have on this Offering, assuming that the Draft Overseas Listing Regulations came into effect in its current form, as advised by our PRC Legal Advisor based on its understanding of legislative developments and the measures we have taken thus far, we may be required to complete the filing procedures with the CSRC for our proposed listing. However, there is no foreseeable material impediment for the Company to complete such filing procedures because (i) as advised by our PRC Legal Advisor, we do not fall under any of the circumstances specified in the Draft Overseas Listing Regulations under which overseas issuance and listing are prohibited; (ii) we have taken comprehensive measures to ensure our compliance with the relevant laws and regulations and

will continue to pay close attention to the legislative and regulatory developments in respect of overseas listing of domestic enterprises, comply with the specific regulatory requirements and perform the filing procedures or information reporting procedures in accordance with the requirements of the Draft Overseas Listing Regulations where applicable to our Company, with the assistance of our Company's onshore and offshore counsel teams; and (iii) we have begun to prepare the relevant documents for the filing procedures in accordance with the Draft Overseas Listing Regulations in its current requested form, and we do not foresee any substantial obstacles in connection therewith.

## OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering, Mr. James Leslie Marshall, our non-executive Director and deputy chairman, will be interested in and control 33.95% of our issued Shares in aggregate. Mr. Marshall holds his interest in the Company through Good Taste Limited, a limited liability company incorporated in Bermuda and wholly-owned by Ocean Investments Limited, a limited liability company incorporated in Bermuda the entire interest of which is in turn wholly-owned and managed by a corporate trustee for the benefit of a discretionary (irrevocable) family trust in which, Mr. Marshall is the protector, a named person in its discretionary class of beneficiaries and one of the directors of the trustee. Mr. Marshall as the protector of the trust has various powers and rights pursuant to the terms of the relevant trust deed including, without limitation, the power to appoint or remove the trustee as well as the right to direct the trustee to exercise the voting or other rights attached to any securities of Ocean Investments Limited, the 100% parent of Good Taste Limited. Mr. Marshall is therefore taken to exercise or control the exercise of the voting rights of the Shares held by Good Taste Limited. For the purposes of the Listing Rules, Mr. Marshall, Ocean Investments Limited and Good Taste Limited will therefore be the Controlling Shareholders of our Company after the Listing.

## INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the Listing.

### Management independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of one executive Director, five non-executive Directors and three independent non-executive Directors. For more information, please see "Directors and senior management".

Our Directors consider that our Board and senior management will function independently from our Controlling Shareholders because:

(a) each Director is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;

(b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;

(c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;

(d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and

(e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see "– Corporate governance measures" for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform their respective managerial roles and run the business of our Group independently from our Controlling Shareholders.

**Operational independence**

Our Group is not operationally dependent on the Controlling Shareholders. Our Group (through our subsidiaries) holds all material licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business.

Based on the above, our Directors believe that our business is operationally independent of our Controlling Shareholder.

**Financial independence**

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates will be outstanding as of the Listing Date.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance, on our Controlling Shareholders and their respective close associates after the Listing.

## DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

## CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following corporate governance measures to resolve actual or potential conflict of interests between our Group and our Controlling Shareholders:

(a) under the Articles, where a Shareholders' meeting is held to consider proposed transactions in which our Controlling Shareholders or any of their associates has a material interest, our Controlling Shareholder(s) will not vote on the relevant resolutions;

(b) our Company has established internal control mechanisms to identify connected transactions, and we will comply with the applicable Listing Rules if we enter into connected transactions with our Controlling Shareholders or any of their associates after Listing;

(c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) our Controlling Shareholders will undertake to provide all information necessary or requested by the independent non-executive Directors for their annual review, including all relevant financial, operational and market information;

(e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses;

(g) we have appointed Somerley Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and

(h) we have established our audit and risk committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules. All of the members of our audit and risk committee are non-executive directors, and the majority of the members, including the chairman, are independent non-executive Directors.

Based on the above, our Directors believe that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the Listing.

Pursuant to Chapter 14A of the Listing Rules, the following transaction that we entered into with our connected persons will constitute connected transaction upon the Listing.

## OUR CONNECTED PERSONS

The table below sets forth parties who will become our connected persons upon Listing and the nature of their relationship with our Company. We have entered into certain transaction which will constitute our continuing connected transaction following the Listing with the following connected persons:

| Name | Connected relationship |
|---|---|
| Domino's Pizza, Inc. | Domino's Pizza, Inc. (NYSE: DPZ) is a substantial shareholder of our Company |
| Associates of Domino's Pizza, Inc. | Including but not limited to Domino's Pizza International Franchising Inc. ("**DPIF**") and Domino's Pizza Distribution LLC ("**DPD**"), which are subsidiaries of Domino's Pizza LLC. |

## MASTER FRANCHISE ARRANGEMENTS

### Master Franchise Agreement

On June 1, 2017, DPIF (the "**Franchisor**") and Pizzavest China Ltd. (the "**Master Franchisee**"), an indirect wholly-owned subsidiary of our Company, entered into a master franchise agreement pursuant to which the Franchisor granted to the Master Franchisee the exclusive right to develop and operate and to sub-franchise the right to develop and operate Domino's Pizza stores (the "**Stores**", and each a "**Store**") and a license to use and sub-license the use of the Domino's system and the associated trademarks in the operation of the Stores in the PRC (the "**Franchise**"). In return, the Master Franchisee shall pay to the Franchisor (a) a master franchise fee, (b) store franchise fees, and (c) royalty fees, in accordance with the terms of the Master Franchise Agreement.

The term of the Master Franchise Agreement commenced on June 1, 2017 and will expire on June 1, 2027, which may be renewed at our option for two additional 10-year terms, subject to the fulfillment of certain conditions.

**Master Franchise Software License Agreement**

Under the terms of the Master Franchise Agreement, the Master Franchisee agrees to use, and to ensure its sub-franchisees use, in the development and operation of the Stores, the management system and computer hardware and software and related technology designated by Franchisor, including that the Franchisor may require the Master Franchisee and its sub-franchisees to acquire, install and continuously use the Domino's Pulse store computer system and to obtain a license to use the software from the Franchisor or its affiliate by signing the standard license agreement. Pursuant to the foregoing, on July 24, 2018, DPD and the Master Franchisee, an indirect wholly-owned subsidiary of our Company, entered into a master franchise software license agreement (the "**Master Franchise Software License Agreement**" together with the Master Franchise Agreement, the "**Master Franchise Arrangements**"). The Company considers the licensing of Domino's Pulse is an integral component of its overall master franchising arrangements with Domino's International, a subsidiary of Domino's Pizza, Inc..

Pursuant to the Master Franchise Software License Agreement, DPD granted to the Master Franchisee a limited, non-exclusive, right to obtain agreements for licensing Domino's Pulse, which is DPD's proprietary point-of-sale system, together with any future developments, enhancements, modifications, new releases and addition, operating manual(s) and guide(s), and any customization thereof, to the Master Franchisee's sub-franchisees for their internal business purposes within the PRC. In return, the Master Franchisee shall pay to DPD software license fees and annual enhancement fees, in accordance with the terms of the Master Franchise Software License Agreement.

The term of the Master Franchise Software License Agreement commenced on July 24, 2018 and will terminate upon the termination of the Master Franchise Agreement or pursuant to other applicable provisions in the Master Franchise Software License Agreement.

**Pricing terms**

Pursuant to the Master Franchise Agreement, the Master Franchisee shall pay to the Franchisor the following fees:

(a) a lump sum master franchise fee, which had been paid in full as of December 31, 2021. The Franchisor shall charge no additional master franchise fee for the remaining term of the Master Franchise Agreement and the two additional 10-year renewal periods.

(b) store franchise fee, which is a one-off fixed fee of up to US$10,000 for the opening of each new Store in the PRC (the "**Store Franchise Fee**") by the Master Franchisee. If the Master Franchisee has any sub-franchisee, the Franchisor charges the same Store Franchisee Fees in respect of the Stores of the sub-franchisee; and if the Master Franchisee charges a sub-franchisee a store opening fee in excess of an agreed maximum threshold of US$25,000 (the "**Excess Store Franchise Fee**"), the Master Franchisee and the Franchisor shall each be entitled to half of the Excess Store Franchise Fee.

(c) royalty fees, which is a continuing monthly royalty calculated as 3% (the "**Royalty Rate**") of all sales by all Stores in the PRC opened and operated by the Master Franchisee for that month. If the Master Franchisee has any sub-franchisee, the Franchisor charges the same Royalty Rate in respect of the sales of the Stores of the sub-franchisee; and if the Master Franchisee charges a sub-franchisee royalty fees at a royalty rate in excess of an agreed maximum rate of 7%, (the "**Excess Royalty**"), the Master Franchisee and the Franchisor shall each be entitled to half of the Excess Royalty. For the avoidance of doubt, only the portion of a sub-franchisee's royalty fees calculated with reference to the part of the royalty rate that exceeds 7% constitutes the Excess Royalty.

Pursuant to the Master Franchise Software License Agreement, the Master Franchisee shall pay to DPD the following fees:

(a) software license fees, which is a one-off fixed fee of currently up to US$4,000 for each Store in the PRC in which the software is installed (the "**Software License Fees**"). The fee rate is subject to change on the delivery by DPD to the Master Franchisee a fee change notification.

(b) annual enhancement fees, which is a fixed fee of currently up to US$1,000 collected from each Store in the PRC, in which the software is installed, 12 months after the installation of the software and each subsequent annual anniversary of the date of installation (the "**Annual Enhancement Fees**"). Stores operating a version of the software equal to (i) two versions or (ii) three or more versions prior to the then current version are subject to an additional fee equal to fifty percent or one hundred percent of the then current annual enhancement fee, respectively.

The fees chargeable under the Master Franchise Arrangements were agreed between the Franchisor (and its affiliates) and Master Franchisee after arm's length negotiation based on a range of factors, including but not limited to the commercial prospects of operating a Store under the brand of Domino's Pizza, our plan to open new Stores in more cities in the PRC and the terms of master franchise arrangements has with its other international master franchisees, and with reference to prevailing market practice for comparable transactions. We believe that the fees chargeable under the Master Franchise Arrangements are fair and reasonable, in line with or more favourable than the fees charged under comparable franchising arrangements between independent third parties and in the interests of our Company and our Shareholders as a whole. The Royalty Rate is also in line with industry norm in the catering service industry in China, according to Frost & Sullivan.

For the avoidance of doubt, we did not have any sub-franchisee during the Track Record Period and, as of the date of this document, do not have plans to engage any sub-franchisee.

**Annual caps and basis of the annual caps**

Following the Listing, the transaction amount to be paid by our Group to Domino's Pizza, Inc.'s group under the Master Franchise Arrangement shall not exceed the proposed annual caps as set out in the table below:

| Annual cap for the year ending December 31, | | | | | |
|---|---|---|---|---|---|
| **2022** | **2023** | **2024** | **2025** | **2026** | **2027** |
| | | *(RMB million)* | | | |
| 100 | 140 | 200 | 290 | 410 | 610 |

The above proposed annual caps are determined with reference to the following factors:

(a) the estimated growth in the sales of our Stores, having taken into account the historical sales of our Stores and the year-on-year growth trend thereof during the Track Record Period. Our revenues increased by 32.0% from 2019 to 2020, and further increased by 45.9% from 2020 to 2021;

(b) the inflation (as measured by consumer price index) in the PRC, with reference to the historical inflation of 1-3% from 2019 to 2021 as advised by Frost & Sullivan:

(c) the pricing terms as set out in the Master Franchise Agreement;

(d) the continuous ramp up of our stores operation which will result in an expected increase in sales of our Stores. For the years ended December 31, 2019, 2020 and 2021, we achieved SSSG of 7.3%, 9.0% and 18.7%, respectively;

(e) the prospect of pizza market as well as pizza stores per million population in China according to the Frost & Sullivan Report;

(f) the penetration of pizza restaurants in the PRC as well as our penetration rate in China according to the Frost & Sullivan Report; and

(g) our current expansion plan and strategy (including the estimated number of new stores to be opened and the estimated number of stores to be operated in the future) which are based on the information currently available to us and our current assessment and estimation of the customer demand for our products and services in the coming years, which may change in the future based on the circumstances (including those not within our control) then in existence.

The above annual caps are produced for the purposes of managing our connected transactions and compliance with Chapter 14A of the Listing Rules only; they do not in any way represent, indicate or imply any forecast or projection of our revenue, profitability, financial position or financial performance in the future. Shareholders and investors shall not

place any reliance on the above annual caps in assessing the financial position or financial performance of our Group, whether historical or future. Instead, to assess the financial position and financial performance of our Group, Shareholders and investors shall consider carefully all relevant business and financial information contained in this document, in particular, the information in "Business", "Financial Information" and "Risk Factors" sections of this documents and the accountant's report and unaudited pro forma financial information in Appendix I and Appendix II to this document.

**Historical amounts**

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the aggregate amounts of fees paid by our Group to Domino's Pizza, Inc.'s group under the Master Franchise Arrangements were approximately RMB39.5 million, RMB50.7 million, RMB114.6 million and RMB29.2 million, respectively. The amounts consist of (a) instalments of master franchise fees of US$2 million, US$2 million, US$10 million and nil paid under the Master Franchise Agreement for the same periods, for which no further amount is payable going forward; (b) store franchise and royalty fees paid under the Master Franchise Agreement and software license and annual enhancement fees paid under the Master Franchise Software License Agreement of approximately RMB25.7 million, RMB37.2 million, RMB50.1 million and RMB29.2 million for the same periods.

**Reasons for the transaction**

The Master Franchising Arrangements are expected to be mutually beneficial as it allows the Domino's Pizza brand to enter and expand in the PRC market, leveraging our management expertise and local know-how, and our Group to gain access to customers through a globally well-known brand and well-established business operations system.

**Listing Rules implications**

Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules, using the highest proposed annual cap set out above as the numerators and the Company's latest financial information available as at the date of this document (i.e. the Company's revenue for the year ended December 31, 2021 and the Company's total assets as at June 30, 2022) as the denominators, will exceed 5%, upon the Listing, and in the absence of the grant of a waiver by the Hong Kong Stock Exchange, the transactions contemplated under the Master Franchise Arrangements will be subject to the announcement, circular and independent shareholders' approval requirements under Rules 14A.35 and 14A.36 of the Listing Rules as well as the annual reporting and annual review requirements under Rules 14A.49, 14A.71 and 14A.72 of the Listing Rules.

## WAIVERS

In respect of the Master Franchise Arrangements, we have applied for, and the Stock Exchange has granted us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with the announcement, circular and independent Shareholders' approval requirements under Rules 14A.35 and 14A.36 of the Listing Rules in respect of the transactions contemplated under the Master Franchise Arrangements, provided that the total amount of transactions for each of the six years ending December 31, 2027 will not exceed the relevant proposed annual caps as set out in this section.

## DIRECTORS' CONFIRMATION

Our Directors (including independent non-executive Directors) are of the view that: (i) the continuing connected transaction set out above have been and will be entered into in our ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interests of our Company and our Shareholders as a whole; (ii) the proposed annual caps of the Master Franchise Arrangements set out above are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) it is normal business practice for the Master Franchise Arrangements to be of a term greater than three years.

## SOLE SPONSOR'S CONFIRMATION

Based on the above, and the documentation and data provided by the Company and the participation in due diligence and discussion with the Company, and on the basis that (i) the businesses carried out by the Company in respect of which the Master Franchise Agreement was entered into, which are, among other things, developing and operating Domino's Pizza delivery stores in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China, (ii) the nature of the transaction, which is a licensing arrangement to be carried out on a continuing basis to ensure business continuity and (iii) the market practice for similar licensing arrangements of other companies, the Sole Sponsor is of the view that: (i) the continuing connected transaction set out above have been and will be entered into in the Company's ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interest of the Company and its Shareholders as a whole; (ii) the proposed annual caps of the Master Franchise Arrangements set out above are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) it is normal business practice for the Master Franchise Arrangements to be of a term greater than three years.

## DIRECTORS

Upon Listing, our Board will consist of nine Directors, including one executive Director, five non-executive Directors and three independent non-executive Directors. The following table sets out certain information in respect of our Directors:

| Name | Age | Position(s) | Date of joining our Group | Date of appointment | Roles and responsibilities |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Yi Wang (王怡) (also known as Aileen Wang) | 45 | Executive Director and chief executive officer | May 2017 | June 2, 2021 | Overall strategic planning and business direction |
| Frank Paul Krasovec | 78 | Non-executive Director and chairman | April 2008 | June 2, 2008 | Provide strategic advice to our Board |
| James Leslie Marshall | 55 | Non-executive Director and deputy chairman | April 2019 | April 18, 2019 | Provide strategic advice to our Board |
| Zohar Ziv[(1)] | 70 | Non-executive director | April 2008 | November 24, 2008 | Provide strategic advice to our Board |
| Matthew James Ridgwell | 57 | Non-executive Director | April 2019 | April 18, 2019 | Provide strategic advice to our Board |
| Joseph Hugh Jordan | 49 | Non-executive Director | September 2020 | September 1, 2020 | Provide strategic advice to our Board |
| David Brian Barr | 59 | Independent non-executive director | December 2015 | December 2, 2015 | Provide independent opinion and judgment to our Board |
| Samuel Chun Kong Shih | 56 | Independent non-executive director | July 2018 | July 24, 2018 | Provide independent opinion and judgment to our Board |
| Lihong Wang (王勵弘) | 54 | Independent non-executive director | March 2022 | March 18, 2022 | Provide independent opinion and judgment to our Board |

*Note:*

(1) Zohar Ziv was formerly known as Zohar Catabi.

**Executive Director**

**Yi Wang (王怡)**, also known as Aileen Wang, aged 45, is an executive Director and the chief executive officer of our Group. Ms. Wang is primarily responsible for our Company's overall strategic planning and business direction.

Ms. Wang has extensive experience in management in the food and beverage industry. Ms. Wang joined our Group as our chief executive officer in May 2017 and became an executive Director of our Group in May 2021. Prior to joining our Group, she served in several management roles at McDonald's China for approximately eight years. Her last position at McDonald's China was Vice President of Franchising responsible for developing the franchising system and overseeing franchisee performance from January 2015 to May 2017. She also served as the Vice President and the General Manager for the Central China Region from November 2012 to December 2014, in which role she managed over 500 stores and was responsible for the full P&L responsibilities, store opening and operations. Between June 2011 and October 2012, she served as the General Manager for the Shanghai market, managing over 100 stores and in charge of the full P&L responsibilities, store opening and operations. Between September 2009 and May 2011, she spent 21 months going through the operations training program in the stores as an externally hired, fast-track leadership program candidate in the Asia Pacific, Middle East and Africa Region of McDonald's. Before working at McDonald's China, Ms. Wang served as an associate and engagement manager at McKinsey & Company in Atlanta, Georgia and Stamford, Connecticut in the United States from August 2004 to August 2009, focusing on the retail industry and the functions of strategy and operations. In addition, Ms. Wang is a member of Young President Organization's Shanghai Chapter.

Ms. Wang received her master's degree in economics from Vanderbilt University in June 2004 and her bachelor's degree in world economics from Fudan University (復旦大學) in June 2000.

**Non-executive Directors**

**Frank Paul Krasovec**, aged 78, is a non-executive Director of our Group, responsible for managing and communicating the Board's decisions with our CEO. He is one of our co-founders and has been chairman of our Group since our inception. Mr. Krasovec is a seasoned and successful entrepreneur who has founded highly successful companies in multiple industries, including media/telecommunications, promotional products, energy products and services and real estate development and management. In addition, Mr. Krasovec has helped build and monetize numerous investments in the real estate, venture capital, and food and beverage industries. Mr. Krasovec serves as the CEO of Norwood Investments, which oversees all of Mr. Krasovec's personal investments, including those in our Group and the major active investments listed above. Other than our Company, Mr. Krasovec co-founded TopGolf China and Southeast Asia, a golfing and entertainment complex that features a high-tech golf in 2016. Mr. Krasovec also co-founded Swiftarc Ventures, an early and growth-stage venture capital firm focused on identifying, curating, and developing the next generation of disruptive consumer brands in the consumer and healthcare sectors in 2018,

where he serves as the executive chairman. Mr. Krasovec started his career with PNC before moving to Austin in the mid-70's to partner with successful media/cable TV and venture entrepreneurs. Mr. Krasovec has also been deeply involved in higher education, having chaired and served on the boards and executive committees of Ohio University. Mr. Krasovec currently serves on the boards of Southwestern University and the Austin Theater Alliance. Mr. Krasovec is active in the YPO Gold Chapter in Austin where he was a co-founder. Mr. Krasovec brings a long history of strong corporate values, leadership and governance to our Board.

Mr. Krasovec received his MBA degree from Ohio University in 1966 and his bachelor's degree in business from Ohio University in 1965.

**James Leslie Marshall**, aged 55, is a non-executive Director and the deputy chairman of our Group.

Mr. Marshall has over 20 years of experience in senior management positions and operations management in the shipping industry. He is the founder and chief executive officer of Berge Bulk Limited, which is one of the world's leading dry bulk shipping companies. Established in October 1990, Berge Bulk Limited controls a fleet of approximately 80 vessels and is one of the world's leading independent dry bulk carriers, delivering commodities across the complex logistical networks that connect over 60 of the largest ports in the world. Since January 2010, Mr. Marshall has served as the chairman of the Marshall Foundation, which supports community and energy efficiency projects, as well as philanthropic ventures in lesser developed communities in Asia and Africa. Mr. Marshall currently holds directorships in several private enterprises, including various operating subsidiaries of Berge Bulk Limited as well as Good Taste Limited, one of the Controlling Shareholders.

In addition, Mr. Marshall is a member of the Asia Shipowners Committee of Lloyd's Register Asia, a provider of classification, compliance and consultancy services to marine industries, and a member of DNV GL South East Asia and Pacific Committee, an international accredited registrar and classification society for industries, including maritime.

Mr. Marshall received his MBA degree from the International Institute for Management Development (IMD) in December 1998 and his master of arts degree from the University of Cambridge in May 1993.

**Zohar Ziv**, aged 70, is a non-executive Director and co-founder of our Group.

Mr. Ziv is an active director, advisor and investor with over 25 years of extensive executive management experience across various industries. He served as a director of Shoes For Crews, a market leader in safety footwear to foodservice, hospitality, healthcare and industrial employees, from February 2016 to February 2022. Mr. Ziv joined Deckers, the footwear designer and maker parent company of the UGG®, Teva®, Sanuk®, Hoka One One®, and Ahnu® brands, in March 2006 as its chief financial officer and executive vice president of finance and administration, and was promoted to it chief operating officer in December 2007 until his retirement in January 2015. Between February 2004 and December 2005, Mr. Ziv was

Chief Financial Officer with EMAK Worldwide, Inc. (Nasdaq: EMAK), a global marketing services firm. In addition, Mr. Ziv received his certificate of certified public accountant awarded by University of Illinois in June 1987.

Mr. Ziv received his MBA degree from American Graduate School of International Management in December 1980 and his bachelor of science degree in accounting from California State University Northridge in August 1979.

**Matthew James Ridgwell**, aged 57, is a non-executive Director of our Group.

Mr. Ridgwell has over 30 years of experience in senior management positions across a variety of sectors. Since 2013 he has been providing investment advice to various entities, including Good Taste Limited, the Controlling Shareholder.

From 1988 to 1997, he worked for the Swire Group, mostly in shipping, as a general manager in Taiwan, Japan, New Zealand, and Hong Kong. From 1999 to 2010, he was based in Belgium where he co-founded MAC Telecom and Clearwire Belgium, wireless telecommunications companies, which were subsequently sold to entities controlled by Craig McCaw. From 2008 to 2012, he was the co-owner of Trä AB KG List, a manufacturing business in Sweden. Mr. Ridgwell currently holds directorships in several private enterprises. From April 2014 until 2022, he also held a variety of directorships of entities controlled by the Canada Pension Plan Investment Board (CPPIB).

Mr. Ridgwell received his MBA degree (with honors) from the International Institute for Management Development (IMD) in December 1998 and his bachelor of arts degree in oriental studies from the University of Oxford in July 1988.

**Joseph Hugh Jordan**, aged 48, is a non-executive Director of our Group.

Mr. Jordan has over 15 years of experience in food and beverage industry. He has spent ten years in our franchisor's parent company, Domino's Pizza, Inc, a US-listed company (NYSE: DPZ) ("**DPZ**"). He has served as president of DPZ, with responsibility for overseeing its U.S. and global support business, since May 1, 2022. Prior to his current role, he served as executive vice president of DPZ from April 2018 to May 1, 2022, where he oversaw DPZ's international business, and as senior vice president and chief marketing officer of DPZ from May 2015 to March 2018. At DPZ, Mr. Jordan helped create a revamped market-level approach to advertising and business planning for franchisees and designated market areas. He joined DPZ's marketing team in September 2011 as vice president of innovation and assumed responsibility for all field marketing activity in 2014. Prior to joining DPZ, Mr. Jordan worked for six years at PepsiCo North America since 2005, where he served as a senior director of marketing. Prior to joining PepsiCo in 2005, he held marketing roles at Philips Electronics and Unilever from 2002 to 2005. Mr. Jordan brings to the Board his rich experience in the marketing, management and strategic planning in the catering and restaurant business, in particular with his significant experience at DPZ both in the US and globally.

Mr. Jordan received his MBA degree from New York University in May 2002 and his bachelor's degree in business administration from College of William and Mary in May 1995.

**Independent non-executive Directors**

**David Brian Barr**, aged 59, is an independent non-executive Director of our Group.

Mr. Barr has extensive experience in food and beverage industry. Mr. Barr is a partner and co-founder of Franworth LLC, a company focusing on the development of entrepreneurial led franchisors, since 2015. He also founded PMTD Restaurants LLC, a company that offers retail sale of prepared foods and drinks for off-premise and on-premise consumption in the States of Georgia, Alabama and South Carolina. Mr. Barr has served on the board of several enterprises including Capriotti's Sandwich Shops, Inc., a fast casual restaurant chain of premium sandwich shops, since 2015, Chicken Salad Chick, a fast casual restaurant chain of chicken salad restaurants based in Atlanta, Georgia, since 2020, OutWest Restaurant Group, a restaurant management company operating Outback Steakhouses in the western United States, since 2020, and Dogtopia, leading provider of dog day-care in North America, since 2021. Previously, Mr. Barr served as a board member of Del Frisco's Restaurant Group (Nasdaq: DFRG) and Charles & Colvard (Nasdaq: CTHR) from 2008 to 2019 and from 2011 to 2015, respectively.

Mr. Barr received a certificate of certified public accountant awarded by the American Institute of Certified Public Accountants in September 1991. Mr. Barr received his bachelor of science degree in commerce from the University of Virginia in May 1985.

**Samuel Chun Kong Shih (施振康)**, aged 56, is an independent non-executive Director of our Group.

Mr. Shih has extensive experience in the hospitality industry as well as the food and beverage industry. He previously served as the partner and chief operating officer at OYO Hotels from 2019 to 2020. Mr. Shih spent over 20 years in PepsiCo Inc., with his last position at PepsiCo Inc. as the chief operating officer and vice president, responsible for overseeing PepsiCo's business in Greater China. Between April 2012 and January 2016, he served as the chairman and chief executive officer of PepsiCo (China) Investment Co., Ltd. He also served as the chairman and chief operating officer of Accor Inc.'s Greater China region, a hospitality company that owns, manages and franchises hotels, resorts and vacation properties, between 2011 and 2012. Besides, he has served as an independent non-executive director of DDC Enterprise Limited (Nasdaq: ACBA) since September 2021, and served as a director of Les Enphants China Limited, a retailer of children's apparel and accessories in Asia since 2016. In addition, Mr. Shih is a member of Young President Organization's Shanghai Chapter.

Mr. Shih received his MBA from Asia Open International University in December 1994 and his bachelor of science degree in food science from University of British Columbia, Canada in May 1988.

**Lihong Wang (王勵弘)**, aged 54, is an independent non-executive Director of our Group.

Ms. Wang has served as the chairman and CEO of RISE Education Cayman Ltd (Nasdaq: REDU), a leading company in offering English teaching and tutoring services in China, since January 2020 and as its director since September 2013. She also chaired the audit committee of RISE Education Cayman Ltd from October 2017 to September 2018. Prior to this role, Ms. Wang worked at Bain Capital Private Equity Asia, LLC from July 2006 to December 2019 and served as its managing director since January 2011. At Bain Capital, Ms. Wang was mainly responsible for its private equity investment in Greater China and Asia Pacific region and led deals in such verticals as industrial, consumer & retail, technology, healthcare, education and financial & business services. She also served on the investment committee of Bain Capital Asia. Before joining Bain Capital in 2006, Ms. Wang was employed at Morgan Stanley from March 2005 to July 2006. She worked at JP Morgan Securities (Asia Pacific) Limited from October 2001 to February 2005. In addition, Ms. Wang has served as an independent non-executive director and a member of audit committee of Sunac Services Holdings Limited (HKEX: 1516) since October 2020, and a non-executive director of Huifu Payment Limited, a company listed on the Main Board of the Hong Kong Stock Exchange in June 2018 under the stock code "1806" and delisted from the Hong Kong Stock Exchange in March 2021, since November 2019. From May 2010 to January 2015, she served as a non-executive director of Gome Electrical Appliance Holding Limited (HKEX: 493).

Ms. Wang obtained her MBA degree from Columbia Business School in May 1999 and her bachelor of science degree in statistics from Fudan University (復旦大學) in July 1990.

Save as disclosed in this section, the Directors have not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date. There is no material matter relating to our Directors that needs to be brought to the attention of our Shareholders, and the information of our Directors disclosed in this document comply with the requirements under Rule 13.51(2) of the Listing Rules in all material respects.

## SENIOR MANAGEMENT

The following table provides information about members of our senior management (other than our executive Director):

| Name | Age | Position(s) | Date of joining our Group | Roles and responsibilities |
|---|---|---|---|---|
| Yi Wang (王怡) (also known as Aileen Wang) | 45 | Chief executive officer | May 31, 2017 | Overall strategic planning and business direction |
| Jun Zhong (鍾軍) (also known as Alex Zhong) | 50 | Chief operating officer | September 3, 2018 | Oversee operations |
| Ting Wu (吳婷) (also known as Helen Wu) | 46 | Chief financial officer | February 22, 2021 | Oversee financial operations and capital management |
| Xinyi Xu (徐歆奕) (also known as Michael Xu) | 46 | Chief performance officer | November 27, 2017 | Oversee financial, legal and supply chain operations |
| Yujing Wang (王毓璟) (also known as Gening Wang) | 43 | Chief marketing officer | June 9, 2015 | Brand marketing and product development |

**Yi Wang (王怡)**, also known as Aileen Wang, aged 45, is an executive Director and the chief executive officer of our Group. See "– Executive director".

**Jun Zhong (鍾軍)**, also known as Alex Zhong, aged 50, is the chief operating officer of our Company and oversees the operation and R&D of our Group.

Prior to joining our Company, Mr. Zhong had a rich set of experience in the consumer products industry. Between September 2016 and July 2018, he served as the chief operating officer of Urban Revivo, a retailer engages in the business of fast affordable fashion for women, men and teenagers' apparel. Between December 2015 and August 2016, he served as the chief operating officer of Guangzhou Qianqianshi Crafts Co., Ltd. (廣州千千氏工藝品有限公司), a company that focuses on merchandizing self-brand cosmetics and accessories in China. Between June 2010 and May 2015, he served as the general manager of McDonald's China's Guangzhou market.

Mr. Zhong received his bachelor's degree in computer sciences from Shenzhen University (深圳大學) in July 1993.

**Ting Wu (吳婷)**, also known as Helen Wu, aged 46, is the chief financial officer of our Company and oversees the financial operations and capital management of our Group. She has also been appointed as one of our joint company secretaries with effect from March 26, 2022.

Ms. Wu has extensive experience in leading major capital markets transactions and advising both sellers and buyers in M&A transactions. Prior to joining our Group, Ms. Wu served as the chief financial officer of Mogu Inc. (NYSE: MOGU) from April 2018 to March 2020. In addition, she had over 10 years' experience in the banking industry. She served as the managing director at the M&A division of CITIC CLSA from July 2017 to April 2018 and the director in global investment banking at BofA Securities, (formerly known as Bank of America Merrill Lynch) from June 2012 to May 2016. She also served as the vice president of Asia industrial team at Citigroup Investment Banking from June 2010 to June 2012, and as the director of real estate sector at UBS Investment Banking from July 2006 to May 2010. Prior to that, Ms. Wu started her career in corporate finance, where she served as an associate at ABN AMRO Bank N.V. from October 2004 to June 2006 and as an associate analyst in equity research at Daiwa Securities SMBC (Australia) from July 2003 to October 2004.

Ms. Wu received her master's degree with honours in finance from University of Melbourne in March 2003 and her bachelor's degree in economics from Shanghai International Studies University (上海外國語大學) in June 1999.

**Xinyi Xu (徐歆奕)**, also known as Michael Xu, aged 46, is the chief performance officer of our Company and oversees the financial, legal and supply chain operations of our Group.

Mr. Xu previously served as the financial director at Coca-Cola Bottling Investments Group China (可口可樂裝瓶投資集團中國) from September 2007 to April 2017. Between January 2004 and August 2007, he served as the financial and administration director at Lagardere China. Between March 2002 and January 2004, he served as the financial manager at Whirlpool (China) Co., Ltd., a company listed on Shanghai Stock Exchange (SSE: 600983). Prior to his management experience, he was a senior financial analyst at Honeywell (China) Co., Ltd. (霍尼韋爾(中國)有限公司), a diversified technology manufacturing enterprise, from March 2000 to December 2001. He also served as a financial analyst at Shanghai KFC Co., Ltd. (上海肯德基有限公司) from July 1998 to April 2000. In addition, Mr. Xu is a certified public accountant awarded by the Chinese Institute of Certified Public Accountants in June 2001.

Mr. Xu received his bachelor's degree in economics from Shanghai University (上海大學) in June 1998.

**Yujing Wang (王毓璟)**, also known as Gening Wang, aged 43, is the chief marketing officer of our Company and oversees the brand marketing and product development of our Group.

Ms. Wang had almost 20 years' experience in marketing. Prior to joining our Company, she served as the director of marketing brand management and client relationship management at Estee Lauder Shanghai Commercial Co., Ltd. (the headquarters of Estee Lauder China) from September 2014 to March 2015. Between September 2013 and August 2014, she served as the

director of marketing at Solaris Children Care (Shanghai) Company Limited (新文越嬰童用品(上海)有限公司), an infants' feeding and caring accessories company. Before that, she also accumulated significant food retailer experience by serving as a senior director of the marketing department at McDonald's China from February 2009 to September 2013. She started her career in globally-renowned FMCG companies, such as Unilever, Johnson & Johnson, and worked as a senior brand manager at Colgate China Mainland and Colgate HK from November 2004 to February 2009.

Ms. Wang received her bachelor's degree in biochemical engineering from East China University of Science and Technology (華東理工大學) in July 2001.

**Joint company secretaries**

**Helen Wu** has been appointed as one of our joint company secretaries with effect from March 26, 2022. See "– Senior management".

**Wing Nga Ho (何詠雅)** has been appointed as one of our joint company secretaries with effect from November 11, 2022.

Ms. Ho serves as the Managing Director of Governance Services of Computershare Hong Kong Investor Services Limited. She is also currently a joint company secretary of Financial Street Property Co., Limited (HKEX: 1502), Newlink Technology Inc. (HKEX: 9600), and the company secretary of Central China Management Company Limited (HKEX: 9982).

Ms. Ho has over 25 years of experience in corporate governance services. She obtained a master's degree in corporate governance from the Hong Kong Polytechnic University in December 2006 and became an associate of The Hong Kong Chartered Governance Institute (the "**HKCGI**", previously known as the Hong Kong Institute of Chartered Secretaries) in the same month. Since March 2015, Ms. Ho has become a fellow of both the HKCGI and The Chartered Governance Institute in the United Kingdom. She is also a holder of the practitioner's endorsement of HKCGI and a member of The Hong Kong Institute of Directors.

## MANAGEMENT AND CORPORATE GOVERNANCE

### Board committees

#### *Audit and risk committee*

Our audit and risk committee is in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit and risk committee are, among others, to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to our Board. The audit and risk committee comprises five members, namely Lihong Wang, David Brian Barr (being our independent non-executive Director with the appropriate professional qualifications), Samuel Chun Kong Shih, Zohar Ziv and Matthew James Ridgwell, with Lihong Wang as chair of the audit and risk committee.

#### *Remuneration committee*

Our remuneration committee is in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration committee comprises five members, namely David Brian Barr, Lihong Wang, Samuel Chun Kong Shih, Matthew James Ridgwell and Joseph Hugh Jordan, with David Brian Barr as chair of the remuneration committee.

#### *Nomination committee*

Our nomination committee is in compliance with the Code on Corporate Governance in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The nomination committee comprises five members, namely Frank Paul Krasovec, David Brian Barr, Lihong Wang, Samuel Chun Kong Shih and Matthew James Ridgwell, with Frank Paul Krasovec as chair of the nomination committee.

#### *Finance committee*

The primary duties of the finance committee are to review and make recommendations to our Board on capital raising proposals. The finance committee comprises three members, namely Zohar Ziv, Matthew James Ridgwell and Joseph Hugh Jordan, with Zohar Ziv as chair of the finance committee.

***Corporate Governance Code***

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules after the Listing.

**Board diversity**

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at our Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract, retain a motivate employees from the widest possible pool of available talent. Pursuant to our board diversity policy, in reviewing and assessing suitable candidates to serve as a director of our Company, the nomination committee will consider a number of aspects, including, but not limited to, gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to our board diversity policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on our Board and recommend them to our Board for adoption.

***Management presence***

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules. See "Waivers and exemptions" for further details.

**Remuneration**

Our executive Director receives remuneration, including salary, discretionary bonuses and benefits in kind, including our contribution to the benefit scheme on their behalf. Our non-executive Directors and independent non-executive Directors receive director service fees. For the details of the service contracts and appointment letters that we have entered into with our Directors, see "Statutory and general information – Further information about our Directors – Particulars of Directors' service contracts and appointment letters" in Appendix IV.

For details regarding the incentive plans applicable to our Directors and the senior management, see paragraphs headed "Statutory and General Information – Share Incentive Plans and Bonus Plans" in Appendix IV.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors for the years ended December 31, 2019, 2020 and 2021 was approximately RMB7.8 million, RMB10.4 million and RMB60.0 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in the Accountant's Report as set out in Appendix I.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2022 is expected to be approximately RMB14.1 million.

The five highest paid individuals of our Company for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 included one, none, one and one Director, respectively. The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for the remaining four, five, four and four highest paid individuals for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 was approximately RMB17.8 million, RMB34.7 million, RMB35.7 million and RMB13.6 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 by our Company to our Directors.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

**Compliance Advisor**

We have appointed Somerley Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Advisor shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

**Competition**

Each of the Directors confirms that as of the Latest Practicable Date, save as disclosed above, he or she did not have any interest in a business which materially competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our issued shares carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

| Name of Shareholder | Capacity/Nature of interest | Number of Shares[1] | Approximate percentage of interest in our Company after the Global Offering[1] |
|---|---|---|---|
| Good Taste Limited[2] | Beneficial interest | 43,094,901 | 33.95% |
| Ocean Investments[2] | Interest in controlled corporations | 43,094,901 | 33.95% |
| Trustee[2] | Interest in controlled corporations | 43,094,901 | 33.95% |
| Mr. James Leslie Marshall[2] | Interest in controlled corporations | 43,094,901 | 33.95% |
| Michelle Li Ming Marshall[2] | Interest of spouse | 43,094,901 | 33.95% |
| Domino's Pizza LLC[3] | Beneficial interest | 18,101,019 | 14.26% |
| Domino's, Inc.[3] | Interest in controlled corporations | 18,101,019 | 14.26% |
| Domino's Pizza, Inc.[3] | Interest in controlled corporations | 18,101,019 | 14.26% |

*Notes:*

(1) Based on the assumptions that (a) each Class A Ordinary Share and convertible Senior Ordinary Share is converted into one Share on the Listing Date, and (b) the Over-allotment Option is not exercised and no further Shares are issued under the Share Incentive Plans.

(2) Good Taste Limited is wholly-owned by Ocean Investments Limited, the entire interest of which is in turn wholly-owned and managed by a corporate trustee (the "**Trustee**") for the benefit of a discretionary (irrevocable) family trust in which, Mr. Marshall is the protector, a named person in its discretionary class of beneficiaries and one of the directors of the Trustee. Mr. Marshall as the protector of the trust has various powers and rights pursuant to the terms of the relevant trust deed including, without limitation, the power to appoint or remove the trustee as well as the right to direct the trustee to exercise the voting or other rights attached to any securities of Ocean Investments Limited, the 100% parent of Good Taste Limited. Mr. Marshall is however not the settlor of the irrevocable trust, and the settlor of the trust does not have control over, or interests, in the assets of the trust. Ms. Michelle Li Ming Marshall is the spouse of Mr. Marshall.

(3) Domino's Pizza LLC is wholly-owned by Domino's, Inc., which is in turn wholly-owned by Domino's Pizza, Inc.. Domino's Pizza, Inc. is a Delaware corporation with its shares listed on the New York Stock Exchange (NYSE: DPZ).

Except as disclosed above, our Directors are not aware of any other person who will, immediately following completion of the Global Offering, have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group.

## AUTHORIZED AND ISSUED SHARES

The following is a description of the shares of our Company in issue and to be issued as fully paid or credited immediately before and following the completion of the Global Offering:

| | **Number of shares** | **Aggregate nominal value** |
|---|---|---|
| Number of shares the Company is authorized to issue as of the date of this document | 500,000,000 Shares consisting of (i) 424,714,572 Ordinary Shares, (ii) 16,794,177 2020 Non-Voting Ordinary Shares, (iii) 1,306,842 2021 Non-Voting Ordinary Shares, (iv) 16,794,177 2020 Senior Ordinary Shares, (v) 1,306,842 2021 Senior Ordinary Shares and (vi) 39,083,390 Class A Ordinary Shares, each with a par value of US$1.00 | US$500,000,000 |
| Shares in issue as of the date of this document | 115,598,796 Shares consisting of (i) 58,414,387 Ordinary Shares, (ii) 39,083,390 Class A Ordinary Shares, (iii) 16,794,177 2020 Senior Ordinary Shares and (iv) 1,306,842 2021 Senior Ordinary Shares, each with a par value of US$1.00 | US$115,598,796 |
| Number of shares the Company is authorized to issue immediately before the completion of the Global Offering | 500,000,000 Shares | US$500,000,000 |
| Shares to be issued under the Global Offering | 11,350,000 Shares | US$11,350,000 |
| Shares in issue immediately following the Global Offering | 126,948,796 Shares | US$126,948,796 |

**Assumptions**

The above table assumes that (i) each outstanding Class A Ordinary Share, 2020 Senior Ordinary Share and 2021 Senior Ordinary Share is converted into one Ordinary Share on the Listing Date, and (ii) the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. The above table also does not take into account any Shares that may be issued pursuant to (i) an exercise of the Over-allotment Option, (ii) the exercise of options or vesting of awards granted or to be granted under the Share Incentive Plans, and (iii) Shares that may be issued or repurchased by us under the general mandates granted to our Directors as referred to in "– Potential changes to number of shares the Company is authorized to issue" below.

**Ranking**

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue, in issue in the future, or to be issued as mentioned in this document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this document.

## POTENTIAL CHANGES TO NUMBER OF SHARES THE COMPANY IS AUTHORIZED TO ISSUE

**Circumstances under which general meeting and class meeting are required**

Our Company may by resolution of members increase the maximum number of shares the Company is authorized to issue. The Company may also divide its shares (including those shares already in issue) into a larger number of shares or combine them into a smaller number of shares in the same class or series, provided that the maximum number of shares the Company is permitted to issue is not exceeded.

See "Summary of the constitution of our Company and BVI company law – Articles of Association – Variation of rights of existing shares or classes of shares" in Appendix III for further details.

Subject to the BVI Business Companies Act, if at any time the authorized shares of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied or abrogated either with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class or with the sanction of a Special Resolution of Members (as defined in the Articles of Association) passed at a separate general meeting of the holders of the shares of that class.

See "Summary of the constitution of our Company and BVI company law – Articles of Association – Variation of rights of existing shares or classes of shares" in Appendix III for further details.

**General mandate to issue Shares**

Subject to the Global Offering becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Shares or securities convertible into Shares of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the shares to be issued under the Share Incentive Plans); and

- the total number of Shares repurchased by our Company pursuant to the authority referred to in "– General mandate to repurchase Shares" below.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by resolution of members passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the British Virgin Islands or the memorandum and the articles of association of our Company; and

- the passing of resolution of members by our Shareholders in a general meeting revoking or varying the authority.

**General mandate to repurchase Shares**

Subject to the Global Offering becoming unconditional, our Directors were granted a general mandate to repurchase our own Shares up to 10% of the total number of Shares in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and excluding the share to be issued under the Share Incentive Plans).

This mandate only relates to repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by resolution of members passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the British Virgin Islands or the memorandum and the articles of association of our Company; and

- the passing of resolution of members by our Shareholders in a general meeting revoking or varying the authority.

See "Statutory and general information – Further information about our group – Explanatory statement on repurchase of our own Securities" in Appendix IV for further details of this general mandate to repurchase Shares.

***Share Incentive Plans***

We adopted the 2021 Plan on January 1, 2021, the 2022 Pre-IPO Plan on September 9, 2022, the 2022 First Share Incentive Plan on November 29, 2022 and the 2022 Second Share Incentive Plan on November 23, 2022. See "Statutory and general information – Share Incentive Plans and bonus plans" in Appendix IV for further details.

*In the following section we discuss our historical financial results for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022. You should read the following discussion and analysis together with our audited consolidated financial statements as of and for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, and the accompanying notes included in the Accountant's Report in Appendix I to this document. Our consolidated financial statements have been prepared in accordance with IFRS.*

*This discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and our financial performance and involves risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of any number of factors. In evaluating our business, you should carefully consider the information provided in this document, including "Risk Factors" and "Business".*

## OVERVIEW

We are Domino's Pizza's exclusive master franchisee in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China. Our brand, Domino's Pizza, is one of the most widely-recognized consumer brands in the world, according to the Frost & Sullivan Report. Our global franchisor, Domino's Pizza, Inc., is the world's largest pizza company in terms of 2021 global retail sales.

Our comprehensive business model features (a) a menu that is both global and local, supported by our supply chain management, logistics management and quality assurance systems, (b) differentiated delivery expertise with a 30-minute delivery promise and a fleet of dedicated riders, enabling high-quality food delivered in a timely and reliable manner, (c) technologies to better serve customers and enhance our operations and (d) a store economic model that provides the foundation for our fast-growing store network and improving profitability in the Track Record Period. This business model is purpose-built for serving Chinese consumers delicious, value for money pizza through online channels, with an emphasis on delivery, which we believe differentiates us from our competitors.

Leveraging our unique, focused business model, we have delivered a track record of consistent and rapid growth during the Track Record Period. We are the fastest growing among China's top five pizza brands, as well as the third largest in terms of 2021 revenue, according to the Frost & Sullivan Report. Over the course of the Track Record Period, the number of Domino's Pizza stores in our network grew from 188 as of January 1, 2019 to 508 as of June 30, 2022, representing an increase of 170%. As of the Latest Practicable Date, we directly operated 569 stores across 14 cities in the China mainland, including Beijing, Shanghai,

Guangzhou, Shenzhen, Hangzhou and Wuxi. Besides the expansion of our store network, our established stores have been continually generating more sales. For every quarter in the Track Record Period, we have recorded positive SSSG of more than 4%, including during the first six months of 2020 and 2022 when the COVID-19 pandemic severely impacted China's catering industry.

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, we recorded revenue of RMB836.6 million, RMB1.1 billion, RMB1.6 billion, RMB766.6 million and RMB908.8 million, respectively, representing a year-on-year increase of 32.0% from 2019 to 2020, a year-on-year increase of 45.9% from 2020 to 2021 and a year-on-year increase of 18.6% from June 30, 2021 to June 30, 2022. With our delivery-focused business model, during the Track Record Period, delivery orders contributed significantly to our revenue. Sales from delivery orders generated revenue of RMB586.0 million, RMB822.4 million, RMB1.2 billion, RMB559.2 million and RMB649.8 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 70.0%, 74.5%, 73.2%, 72.9% and 71.5% of our total revenue in the same periods, respectively, which, viewed together, are significantly higher than the industry average of 40% to 50% from 2019 to 2021, according to the Frost & Sullivan Report.

We had net loss of RMB181.6 million, RMB274.1 million, RMB471.1 million, RMB205.2 million and RMB95.5 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, which is recorded as loss for the year attributable to owners of the Company. We incurred adjusted net loss (non-IFRS measure) of RMB168.2 million in 2019, RMB199.8 million in 2020, RMB143.3 million in 2021, RMB61.7 million for the six months ended June 30, 2021 and RMB68.9 million for the six months ended June 30, 2022. We had negative adjusted EBITDA (non-IFRS measure) of RMB33.2 million and RMB17.6 million for 2019 and 2020, respectively, and positive adjusted EBITDA (non-IFRS measure) of RMB62.7 million, RMB32.5 million and RMB55.6 million for the year ended December 31, 2021 and the six months ended June 30, 2021 and 2022, respectively.

We intend for this financial information section to provide readers with information that will assist in understanding our results of operations, including metrics that management uses to assess our Company's performance. Throughout this section, we discuss the following performance and financial metrics: total number of stores in our network, SSSG, revenue, raw materials and consumables cost, staff compensation expense, depreciation of right-of-use assets, depreciation of plant and equipment, amortization of intangible assets, utilities expenses, advertising and promotion expenses, store operation and maintenance expenses, variable lease rental payment, short-term rental and other related expenses, other expenses, fair value change of financial liabilities at fair value through profit or loss, finance costs, net, loss before income tax, income tax (expense)/credit, loss for the year attributable to owners of the Company, adjusted EBITDA (non-IFRS measure) and adjusted net loss (non-IFRS measure).

## BASIS OF PRESENTATION

The historical financial information of our Group has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"). The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial liabilities measured at fair value through profit or loss ("**FVPL**") which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 of the Accountant's Report in Appendix I to this document.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded net current liabilities of RMB209.6 million, RMB202.5 million, RMB65.0 million and RMB64.1 million, respectively. As of October 31, 2022, we had net current liabilities of RMB120.3 million. We generated net cash inflows from operating activities amounting to RMB124.3 million, RMB103.5 million, RMB332.1 million and RMB167.6 million for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. Our Directors have reviewed our cash flow forecast, which covers a period of not less than twelve months from June 30, 2022. In preparing the cash flow forecast, our Directors have considered our Group's capital expenditures plans (including the new stores opening plan in the forecast period), estimated cash flows provided by operations, existing cash on hand and other available source of funds.

Based on the above considerations, our historical performance and management's operating and financing plans, the Directors believe that we will have sufficient working capital to finance our operations and to meet our financial obligations as and when they fall due for not less than twelve months from June 30, 2022. Consequently, the historical financial information has been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

## MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by general factors affecting the catering industry and food delivery services in China, which include changes in consumer tastes and dining preferences, the outbreak of any food-borne illnesses, changes in the regulatory, legal and public policy landscapes, and general economic and business conditions in China. Unfavorable changes in any of these factors could negatively affect the demand for our products and services and materially and adversely affect our results of operations.

Our results of operations are also affected by certain company-specific factors, including our ability to achieve the following:

### Expand our store network

Our business growth depends on the scale and expansion of our store network. During the Track Record Period, we realized a rapid growth in the number of our Domino's Pizza stores. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had 268, 363, 468 and 508 stores, respectively. The following table sets forth the total number of stores in our network and their movement for the period indicated.

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| Number of stores at the beginning of the period | 188 | 268 | 363 | 468 |
| Number of new stores opened during the period | 83 | 98 | 108 | 46 |
| Number of stores closed[(1)] during the period | 3 | 3 | 3 | 6 |
| Number of stores at the end of the period | 268 | 363 | 468 | 508 |

*Note:*

(1) Refers to the total number of permanent store closures, which we define as the number of stores that closed and were not subsequently reopened within six months of closing in either the same location or a nearby location serving the same 30-minute delivery radius. Of the 15 stores that we closed during the Track Record Period, three were closed for strategic and commercial reasons, while 12 were closed because we chose not to renew our leases. The 12 stores that were closed because we chose not to renew our leases were ultimately relocated to nearby location serving the same 30-minute delivery radius (in each case more than six months after the initial closure).

Our initial emphasis of our business operations was on Beijing and Shanghai, where we have established significant presence and accumulated a large customer base. We collectively refer to our markets other than Beijing and Shanghai as our "new growth markets".

The following table sets forth the breakdown of the total number of stores in our network by geographical location as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| Beijing | 81 | 100 | 124 | 136 |
| Shanghai | 99 | 121 | 143 | 147 |
| Shenzhen | 24 | 44 | 64 | 67 |
| Guangzhou | 7 | 21 | 41 | 44 |
| Tianjin | 17 | 25 | 35 | 39 |
| Hangzhou | 17 | 22 | 26 | 29 |
| Nanjing | 14 | 18 | 18 | 23 |
| Suzhou | 8 | 9 | 9 | 10 |
| Wuxi | 1 | 3 | 7 | 7 |
| Ningbo | – | – | 1 | 2 |
| Foshan | – | – | – | 3 |
| Dongguan | – | – | – | 1 |
| **Total** | **268** | **363** | **468** | **508** |

The following table sets forth average daily sales per store by market during the Track Record Period:

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| **Average daily sales per store[(1)] (RMB)** | | | | | |
| *By market* | | | | | |
| Beijing and Shanghai | 12,009 | 12,122 | 12,781 | 12,968 | 13,974 |
| New growth markets | 5,892 | 6,002 | 7,617 | 7,616 | 8,705 |
| **All markets** | **10,292** | **9,962** | **10,692** | **10,854** | **11,462** |

*Notes:*

(1) Average daily sales per store is calculated by dividing the revenues generated from the relevant store for a particular period by the aggregate number of days of operation of such store during the same period.

(2) New growth markets refer to Shenzhen, Guangzhou, Hangzhou, Tianjin, Nanjing, Suzhou, Wuxi, Ningbo, Foshan, Dongguan, Zhuhai and Zhongshan.

The decrease in our overall average daily sales per store from 2019 to 2020 was primarily attributable to an increase in the proportion of new stores in new growth markets in our store network as we grew rapidly. In addition, despite the increase in same-store sales over this period, new stores in new growth markets typically ramp up their average daily sales per store from a lower base after they are opened than stores in Beijing and Shanghai. The increase in average daily sales per store from 2020 to 2021 was primarily attributable to our strong sales growth over the period across all markets and the improving initial average daily sales per store in new growth markets. This outpaced the impact from the increase in the proportion of new stores over the same period. Additionally, sales volume was bolstered by the general recovery of consumer demand as the adverse impact of the COVID-19 pandemic eased, as well as the increased popularity of delivery services following a shift in consumer habits – a trend that was accelerated by the COVID-19 pandemic. Our average daily sales per store increased for the six months ended June 30, 2022, compared to that for the six months ended June 30, 2021, mainly due to our strong sales growth over the period across all markets, and the continued improving initial average daily sales per store in new growth markets.

We generally record higher average daily sales per store in Beijing and Shanghai than in our new growth markets, primarily due to our longer operating history, higher store density and stronger brand awareness in both cities. At the same time, our average daily sales per store increased substantially faster in our new growth markets, with an overall increase of 47.7% from 2019 to June 30, 2022, primarily attributed to the fact that we expanded into new markets where there was widely untapped consumer demand and gradually improved our brand awareness, and the fact that our stores ramped up sales quickly as we continued to build out our footprint and penetrate in these new growth markets.

We expect to significantly expand our presence and increase penetration in Beijing, Shanghai and our new growth markets in China as we continue to capitalize on the significant white space in the China pizza market and leverage our strong brand value and customer favorability in China. For details of our expansion strategy, see "Business – Our growth strategies – Rapidly increase the number of our stores", "Business – Our Domino's Pizza store network – Growth of our store network" and "Future plans and use of proceeds".

**Continually grow same-store sales**

SSSG, as defined in "Glossary of Technical Terms," is an important indicator of the overall strength of our business. We consistently recorded positive SSSG of more than 4% in every quarter during the Track Record Period, including during the first six months of 2020 and 2022 when the COVID-19 pandemic severely impacted China's catering industry. The following table sets forth the number of same stores and our SSSG during the Track Record Period.

| | For the year ended December 31, | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2020 | 2021 | 2021 | 2022 |
| Number of same stores | 217 | | 301 | | 360 | |
| Same-store sales[(1)] (RMB'000) | 712,958 | 776,906 | 989,579 | 1,174,452 | 593,342 | 675,988 |
| **SSSG** | **9.0%** | | **18.7%** | | **13.9%** | |

*Note:*

(1) Same-store sales represent the revenue of all stores that qualify as same stores during the period, provided that for a given same store in a given period, only the sales it generates after it qualifies as a same store are included.

Our same-store sales increased by 9.0% from RMB713.0 million in 2019 to RMB776.9 million in 2020, and increased further by 18.7% from RMB989.6 million in 2020 to RMB1,174.5 million in 2021. The increase in SSSG from 2019 to 2021 was primarily due to increases in our average sales value per order and average orders per store per day. Our same-store sales increased by 13.9% from RMB593.3 million for the six months ended June 30, 2021 to RMB676.0 million for the six months ended June 30, 2022, primarily due to increases in our average sales value per order across all markets and strong growth in average orders per store per day in our new growth markets.

The increase in average sales value per order across all of our markets has primarily been driven by our continued efforts in menu development and localization, active marketing and trade-up strategies in combo offerings, which have enabled us to increase sales value while maintain customer demand. In addition, the increasing brand awareness in new growth markets also encouraged our customers there to purchase more for each order. Moreover, although new growth markets typically have more dine-in customers, the percentage of delivery orders has also been increasing, which also contributed to an increasing sale value per order as delivery orders usually have a higher sale value per order than dine-in orders.

Our average orders per store per day has been primarily driven by increases in our new growth markets, partially offset by decreases in Beijing and Shanghai and the adverse impact of the COVID-19 pandemic. In our new growth markets, the increase in average orders per store per day over the Track Record Period was mainly driven by the rapid ramp-up of stores in those markets as our brand awareness further strengthens and customer demand increases. In Beijing and Shanghai, we recorded a slight decrease in average orders per store per day over the Track Record Period, primarily because we have been expanding into locations that have relatively lower populations compared to our existing locations, resulting in lower order volume relative to existing stores. Across all of our markets, the COVID-19 pandemic adversely impacted average orders per store per day, with a more pronounced effect on our new growth markets, where the proportion of dine-in is relatively higher and thus more susceptible to the impact of lockdowns and other COVID-19 restrictions.

We plan to continually grow our same-store sales by promoting our brand and strengthening our customer loyalty, further enhancing our technology, strengthening our pizza-focused, value for money menu and enhancing our delivery services to achieve sustainable business sustainability and long-term profitability.

**Control cost of raw materials and consumables**

We purchase raw materials and consumables in the ordinary course of our operations, which include both food ingredients, such as cheese, flour, pizza sauce, pork and chicken, and non-food supplies, such as our pizza packing materials. The prices of such goods can directly affect the cost of food and beverage products we provide to our customers. We have a centralized procurement policy to ensure that we (a) meet our procurement needs, (b) carefully select and vet new suppliers, (c) regularly inspect and evaluate existing suppliers, and (d) negotiate competitive purchase terms with suppliers. For more details on how we maintain the quality of the supplies and negotiate competitive purchase terms, please see "Business – Supply chain management – Procurement and supplier management".

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our raw materials and consumables cost was RMB228.1 million, RMB310.5 million, RMB425.6 million, RMB203.6 million and RMB247.2 million, respectively, representing 27.3%, 28.1%, 26.4%, 26.6% and 27.2% of our total revenue in the same periods, respectively. The increase in our raw materials and consumables cost from 2019 to June 30, 2022 was in line with our revenue growth.

We plan to further enhance our brand awareness and expand our store network, which we expect will result in more sales. As our sales increase and our procurement volumes increase commensurately, we expect to have increased negotiating power with suppliers and enhance our economies of scale, which we can leverage to reduce our procurement costs as a percentage of total revenue. For more information on our business strategies, please see "Business – Our growth strategies".

**Manage staff compensation expense**

Our success mainly depends on our ability to attract, motivate and retain a sufficient number of qualified staff. Our staff can be broadly divided into store and central kitchen-level staff and corporate-level staff. Our store and central kitchen-level staff include store managers, our in-store crew, our dedicated delivery riders, and staff who work at our central kitchens to provide support to our daily operations. At the store level, we typically have one store manager, one to two in-store staff working full-time and the remaining staff are working part-time. Our corporate-level staff include senior management personnel, regional managers, and other function teams including store development, IT, marketing, product design, finance, legal and other general administration, who support our overall business in a centralized manner. We need to attract both excellent store-level and corporate-level staff to support the expansion of

our store network and execute our business strategies. We also rely on our qualified and well-trained store-level staff to provide high-quality delivery and carryout and dine-in services to maintain the continual sales growth at our stores.

We arrange store-level staff based on the store's sales volume to ensure the normal operations of our stores. With the growth in the number of stores we operate during the Track Record Period, the number of our store-level staff and the amount of our staff compensation expense attributable to store-level staff increased commensurately. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our store-level salary-based expense was RMB247.6 million, RMB316.0 million, RMB462.6 million, RMB217.9 million and RMB262.3 million, respectively, representing 29.6%, 28.6%, 28.7%, 28.4% and 28.9% of our total revenue in the same periods, respectively.

In conjunction with the expansion of our store network, we typically hire more corporate-level staff incrementally to support an increasing number of stores, and we provide share-based incentives to reward and maintain high-quality talents. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our staff compensation expense attributable to our corporate-level staff was RMB88.3 million, RMB153.2 million, RMB240.9 million, RMB124.6 million and RMB74.6 million, respectively, representing 10.6%, 13.9%, 14.9%, 16.3% and 8.2% of our total revenue in the same periods, respectively. The increase of staff compensation expense attributable to our corporate-level staff from 2019 to 2021 was mainly driven by the rising number of corporate-level staff in 2020 and 2021, who supported the operations of a broader store network, the increase of their merit-based salaries, and the increase in share-based compensation resulted from the increase in total equity value of our Group and the RSUs granted and vested. The decrease of staff compensation expense attributable to our corporate-level staff from the first half of 2021 to the first half of 2022 was the result of the decrease in share-based compensation, partially offset by a slight increase in merit-based salaries and the increase in the number of corporate-level staff in line with our expansion. The decrease in share-based compensation was mainly driven by the cancellation of stock appreciation right ("**SAR**") awards of our executives in part and in full during these two periods respectively, which resulted in a one-off reversal of the corresponding accumulated share-based compensation provided since its inception. The value of the SAR awards has grown significantly since they were granted in line with the value appreciation of our business. Our corporate-level salary-based expense was RMB79.3 million, RMB120.0 million, RMB150.0 million, RMB74.0 million and RMB77.9 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 9.5%, 10.9%, 9.3%, 9.6% and 8.6% of our total revenue in the same periods, respectively.

We expect our overall staff compensation expense to rise in the future as we continue to expand our store network which requires additional staffing to support our daily operations, while our overall staff compensation expense as a percentage of total revenue to decline primarily as our corporate-level staff accumulate more abundant experience and become well-equipped to support the operations of a larger number of stores.

**Control rental expenses**

We do not own any real estate and all of our premises including our stores, central kitchens and offices are located on leased properties. Our rental expenses include depreciation of right-of-use assets and variable lease rental payment, short-term rental and other related expenses. During the Track Record Period, our rental expenses amounted to RMB105.5 million, RMB136.6 million, RMB180.0 million, RMB85.3 million and RMB105.2 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 12.6%, 12.4%, 11.2%, 11.1% and 11.6% of our total revenue in the same periods, respectively. The increase of rental expenses was mainly driven by the expansion of our store network from a total of 268 stores as of December 31, 2019 to a total of 508 stores as of June 30, 2022. The decrease in our rental expenses as a percentage of total revenue from 2019 to 2021 was mainly due to the strong growth of our revenue and our strengthened negotiating power to negotiate more favorable lease terms as we enhanced our brand recognition. Our rental expenses as a percentage of revenue remained relatively stable for the six months ended June 30, 2022, compared to that for the six months ended June 30, 2021.

We anticipate our rental expenses to grow as we continue to expand our geographic coverage. Leveraging our increased brand recognition, we expect our rental expenses as a percentage of our total revenue to decrease as we negotiate more favorable lease terms in the future, and as our excellent taste, value-for-money and timely delivery of pizza continue to drive the growth of our same-store sales.

## IMPACT OF COVID-19 ON OPERATIONS

**Industry background of the COVID-19 pandemic**

The COVID-19 pandemic has materially and adversely affected the global economy. In response, countries and regions around the world, including China, have imposed widespread lockdowns, closure of workplaces and restrictions on mobility and travel to contain the spread of COVID-19. Since the initial outbreak of COVID-19 and up to the Latest Practicable Date, travel restrictions and quarantine requirements had been imposed from time to time by local governments to counter regional outbreaks, including those of new variants, such as the Delta and Omicron variants.

Due to the adverse impact of COVID-19, the size of China's catering industry declined in 2020 to RMB3,952.7 billion, according to the Frost & Sullivan Report. As China's economy gradually improved since the second half of 2020 thanks to its successful mitigation effort, China's catering industry is expected to grow steadily and reach RMB8,279.9 billion in 2026, representing a CAGR of 12.0% from 2021 to 2026, according to the Frost & Sullivan Report. In terms of dining options, the penetration rate of food delivery increased from 6.5% in 2016 to 18.1% in 2020, as COVID-19 accelerated the transformation of consumers' dining preference towards delivery.

**Impact on our business and financial performance**

Despite the negative impact of COVID-19 on China's catering industry, the pandemic and the relevant government measures have not had a material adverse impact on our business and financial performance. Furthermore, the COVID-19 pandemic accelerated the consumer adoption of food delivery as a regular dining habit. As our business focuses on delivery, our overall performance remained relatively resilient against the backdrop of the pandemic. Our total revenue increased every period during the Track Record Period and our same-store sales consistently grew every quarter during the Track Record Period. In particular, our revenue generated from food delivery increased significantly. During the Track Record Period, our revenue from delivery orders increased by 40.3% from RMB586.0 million in 2019 to RMB822.4 million in 2020, further increased by 43.5% from RMB822.4 million in 2020 to RMB1.2 billion in 2021 and further increased by 16.2% from RMB559.2 million for the six months ended June 30, 2021 to RMB649.8 million for the six months ended June 30, 2022.

However, from time to time, local governments in China have imposed and may continue to impose travel restrictions and quarantine requirements to counter regional outbreaks, which adversely impacted our operation. For example, in accordance with local public health guidelines, 30 of our stores suspended operations for a few days in February and March of 2020. Despite the temporary adverse impact, our non-delivery services overall still demonstrate resilience since the COVID-19 outbreak. The total revenue derived from our non-delivery orders in each year of the Track Record Period displays a positive growth trajectory. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our revenue from non-delivery orders was RMB250.6 million, RMB281.7 million, RMB431.2 million, RMB207.4 million and RMB259.0 million, respectively, representing 30.0%, 25.5%, 26.8%, 27.1% and 28.5% of our total revenue, respectively. In 2020, 2021 and the six months ended June 30, 2022, 44, 34 and 329 of our stores closed temporarily for an average of 14, 5 and 28 days, respectively, due to the impact of the COVID-19 pandemic and the related control measures.

In 2022, as a result of the recent outbreak of COVID-19 in certain regions of China, operations at some of our stores in Shanghai, Shenzhen and Beijing have been adversely impacted since mid-March of 2022 as a result of local governments' implementation of temporary lockdown and travel restrictions, which resulted in temporary store closure and staffing shortage. In April 2022, almost all of our stores in Shanghai were closed, for both dine-in and delivery, as a result of citywide lock-downs. Since mid-April, our stores in Shanghai have gradually been allowed to reopen. As of June 30, 2022, almost all of our stores in Shanghai are operating. In Shenzhen, our stores in the city were closed for one week in March. After the one-week citywide lockdown, our business returned to normal in Shenzhen. In Beijing, all dine-in services were suspended from May 1, 2022 to June 6, 2022 as a result of the COVID-19 control measures imposed by the local government. However, we continued to offer delivery services to our customers in Beijing during that time. Due primarily to the impact of the COVID-19 pandemic and related control measures, our revenues in the first half of 2022 were approximately RMB55 million to RMB65 million lower than our management forecasts for the period. In addition to store closures, we are experiencing staff shortages in

Shanghai because of the heightened health check requirements and citywide lockdown imposed by the local government there. The recent COVID-19 surge in China has also caused supply chain disruptions. Operations at our central kitchen in Shanghai were negatively impacted, and it became necessary for us to enlist our central kitchens in Sanhe, Hebei Province and Dongguan, Guangdong province to service stores originally covered by that central kitchens, resulting in higher logistics expense. In May 2022, our central kitchen in Shanghai resumed production.

Despite these closures, staff shortages and supply chain disruptions, we did not experience a material increase in our operational costs. Additionally, we received COVID-19 related government grants in 2020, 2021 and the first half of 2022. The total amount of government grants we received, which includes certain exemptions on value-added tax granted by the PRC government authorities and additional COVID-19 government grants granted by the PRC government, was RMB14.4 million, RMB2.8 million and RMB4.3 million in 2020, 2021 and the first half of 2022, respectively.

To mitigate the impact of the COVID-19 pandemic on our business and protect our employees and customers, we have implemented the following measures:

- *Establishing a designated working group*. At the beginning of the COVID-19 pandemic, we established a designated working group to plan for and implement emergency measures to counter the adverse impact of the COVID-19 pandemic. Our designated working group promptly records evolving and emerging local government policies to ensure swift responses and strict regulatory compliance.

- *Improving our delivery service*. To ensure our customers can comfortably enjoy our food products, for each delivery order, we offer our customers a contactless delivery option. We continue to improve our omnichannel presence, enabling our customers to easily place delivery orders from us.

- *Continually ensuring customer and employee safety*. We deeply care about the health of our customers and employees. We have issued guidance to direct our staff to safely return to work. We also adopted daily body temperature checks of our staff and implemented health and sanitation guidelines to prevent the spread of COVID-19 in our stores and central kitchens. Additionally, we regularly schedule on-site training at our stores and central kitchens to reinforce preventive measures against the spread of COVID-19.

In general, our business and financial performance has not been materially and adversely affected by COVID-19 or the emergence of new COVID-19 variants, include the Alpha, Beta, Gamma, Delta and Omicron variants. Since the second half of 2020 and up to the Latest Practicable Date, although certain stores had temporarily suspended operations in accordance with local public health guidelines, the temporary suspensions had no material impact on our results of operations or financial performance.

**Impact on other aspects of our operations**

Apart from the impact on our business and financial performance, the following aspects of our operations had also been affected by the COVID-19 pandemic to varying degrees:

- *Staffing*. As a result of the travel restrictions and quarantine requirements that applied to some of our staff, we experienced temporary staffing shortage at some of our stores in February and March of 2020, and from March to June of 2022.

- *Store expansion plan*. Due to the closure of workplaces and travel restrictions across China during the first half of 2020, the opening and renovation of a few stores experienced temporary delay. Nevertheless, the development, construction and decoration of new Domino's Pizza stores were all completed as we scheduled in the original plan.

**Recovery and protection measures**

We have proactively taken measures to mitigate the impact of the COVID-19 pandemic on our business and to protect our employees and customers. Such measures include:

- *Establishing a designed working group.* At the beginning of the COVID-19 pandemic, we established a designated working group to plan for and implement emergency measures to counter the adverse impact of the COVID-19 pandemic. Our designated working group promptly records evolving and emerging local government policies to ensure swift responses and strict regulatory compliance.

- *Improving our delivery service.* To ensure our customers can comfortably enjoy our food products, for each delivery order, we offer our customers a contactless delivery option. We continue to improve our omnichannel presence, enabling our customers to easily place delivery orders from us.

- *Continually ensuring customer and employee safety.* We deeply care about the health of our customers and employees. We have issued guidance to direct our staff to safely return to work from their hometowns. We also adopted daily body temperature checks of our staff and implemented health and sanitation guidelines to prevent the spread of COVID-19 in our stores and central kitchens. Additionally, we regularly schedule on-site training at our stores and central kitchens to reinforce preventive measures against the spread of COVID-19.

**Conclusion**

Despite the impact of the COVID-19 pandemic on our operations outlined above, we still managed to achieve continual revenue growth in each period of the Track Record Period, partly as a result of the promptness in implementing our COVID-19 recovery and protection measures

and our brand recognition and loyal customer base. In addition, we achieved positive SSSG of more than 4% in every quarter of the Track Record Period, including during the first six months of 2020 and 2022 when the COVID-19 pandemic severely impacted China's catering industry.

However, there is no comparable recent events that provide guidance as to the effect the COVID-19 pandemic may have or how it will evolve. The extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19, the scope and duration of the restricted measures to contain COVID-19 or treat its impact, evolvement of variants of the virus and effectiveness of the vaccines, among others. Hence, there is no guarantee that COVID-19 will not have any material and adverse impact on our business operations, our growth and expansion plans. For details on risks related to the COVID-19 pandemic, please refer to "Risk factors – Risks relating to our business and industry – We are susceptible to outbreak, epidemic or pandemic of infectious or contagious diseases such as the COVID-19 pandemic, diseases of animals, food-borne illnesses as well as negative publicity relating to such incidents".

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and associated assumptions, which we believe are reasonable under the circumstances, are based on our historical experience and other factors, and form the basis of our judgements about matters that are not readily apparent from other sources. When reviewing our financial results, you should consider: (a) our selection of critical accounting policies, (b) the judgement and other uncertainties affecting the application of such policies and (c) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires management judgements based on information and financial data that may change in future periods, and as a result, actual results could differ from those estimates.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 2 and 4 of the Accountant's Report in Appendix I to this document.

**Significant accounting policies**

***Revenue recognition***

We recognize revenue when control of goods has been transferred and services have been rendered. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of our Group's activities. Revenue is shown net of returns, value-added tax and discounts, and after eliminating sales within our Group.

We generate revenue from sales of food and beverages through self-developed website and app, third-party platforms and retail stores. Sales of food and beverages are recognised in the consolidated statements of comprehensive income at the point in time, upon when food and beverages are accepted by customers.

We have established a customer loyalty incentive program which allows customers to earn award credits from each order. The award credits can be redeemed to deduct payment in the next order. We also provide coupons to customers as compensation of late delivery, which can be redeemed for free food in the next order. Award credits and coupons for customers are accounted for as separate performance obligations and the fair value of the consideration received or receivable is allocated among the food and beverages sold, award credits and coupons based on their stand-alone selling price ("**SSP**"). The SSP of the food and beverages is directly observable and determined by the price that they are sold separately. The SSP of award credits and coupons is measured by reference to the amount for which the award credits and coupons could be sold separately considering the breakage based on our best estimation. Such consideration is not recognized as revenue at the time of the initial sale transaction, but is deferred in "contract liabilities" and recognized as revenue when the award credits and coupons are redeemed and our obligations have been fulfilled. During the Track Record Period, the amount of contract liabilities relating to award credits was RMB10.1 million, RMB15.1 million, RMB21.3 million and RMB23.9 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively, while the amount of contract liabilities relating to late coupons was RMB0.6 million, RMB0.7 million, RMB0.8 million and RMB1.3 million in the same periods, respectively.

Any consideration payable to customers or third parties with no distinct good or service received from those customers is recognised as a reduction of the revenue.

***Plant and equipment***

All plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of the plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Leasehold improvements | Over the lease terms or useful life of 6 years, whichever the shorter |
| Machinery and equipment | 5-10 years |
| Office equipment | 5 years |
| Motor vehicles | 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other (losses)/gains, net" in the consolidated statements of comprehensive income.

***Intangible assets***

Before July 2017, we were the majority shareholder of DPZ China. DPZ China held 100% equity interests in Pizzavest China Ltd. which was Domino's Pizza's master franchisee in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China. In July 2017, new ordinary shares were issued to a third party as consideration to acquire the remaining equity interests in DPZ China (the "**Acquisition**"). After the Acquisition, DPZ China became a wholly-owned subsidiary of our Company.

As of the completion date of the Acquisition, intangible assets of the master franchise fee as identified from the Acquisition were recognized at the fair value of approximately RMB954.4 million. Goodwill of approximately RMB360.5 million, which represented the excess of total consideration over the fair value of the identified net assets acquired, was also recognized.

*Goodwill*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over our interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the amount of the non-controlling interest in the acquiree. Goodwill on acquisition of subsidiaries is included in intangible assets.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), that is expected to benefit from the synergies of the combination. The recoverable amount of the group of CGUs, which is

allocated to the whole group, are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 10-year period. Considering our store expansion plan, we plans to continue to grow our presence in China by expanding our geographic coverage and deepening our market penetration. As a result, we expect that we will be in a period of rapid development for the next few years, before reaching a more stable stage in the next decade. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the key assumptions are:

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | % | % | % | % |
| Revenue growth rate | 11.4-39.3 | 11.4-37.8 | 9.2-27.6 | 9.2-26.9 |
| Pre-tax discount rate | 19.9 | 19.1 | 18.3 | 18.3 |
| Terminal growth rate | 3.0 | 2.5 | 2.5 | 2.5 |

When the foregoing key assumptions are applied in the impairment testing, as of December 31, 2019, 2020 and 2021 and June 30, 2022, the headroom, which is the excess of the recoverable amount of a CGU over the carrying amount of that CGU, of our Group's CGUs containing goodwill for the periods presented are RMB1,095.3 million, RMB1,603.9 million, RMB3,385.9 million and RMB3,731.1 million, respectively.

Based on the results of the impairment assessment, our Directors concluded that no impairment on goodwill has to be recognized as of the respective balance sheet dates.

*Sensitivity analysis*

Had the estimated key assumptions during the forecast period been changed as shown below, the headroom would have been decreased to the following amounts:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *(in RMB thousands)* | | | |
| Revenue amount decreases by 10% | 529,908 | 945,344 | 2,015,856 | 2,338,269 |
| Discount rate increases by 1 percentage point | 738,763 | 1,182,263 | 2,794,033 | 3,142,854 |
| Terminal growth rate decreases by 0.5 percentage point | 1,010,376 | 1,523,340 | 3,233,686 | 3,572,554 |

Therefore, our Directors also concluded that any reasonable possible changes in key assumptions would not lead to impairment of the goodwill as of the respective balance sheet dates.

*Master Franchise Agreement*

Master Franchise Agreement, or MFA, acquired in a business combination is recognized at its fair value on the acquisition date. MFA is amortised on the straight-line basis over estimated useful lives of 30 years, which is also the contractual term of the MFA with renewal terms considered.

We should pay additional store franchise fee for each new opening store. Store franchise fees are recognized at cost and amortised on the straight-line bases over estimated operation period of the new store.

According to the MFA, royalty fees are based on a fixed percentage of revenue and the expenses are recognized in "Store operation and maintenance expenses" as incurred.

*Acquired software and website*

Acquired software and website are recognized at cost and amortized on the straight-line basis over estimated useful lives of 1-10 years. The acquired software and website is well-developed and used for financial reporting and business operation. The estimated useful life will not exceed the authorized use period of the acquired software and website. Based on

the current functionalities of this software and website and our daily operation needs, we consider a useful life of 1-10 years to be the best estimation of useful life under our current financial reporting and business operation needs.

*Self-developed website and app*

Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the website and app so that it will be available for use; (b) management intends to complete the website and app and use or sell it; (c) there is an ability to use or sell the website and app; (d) it can be demonstrated how the website and app will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the website and app are available; and (f) the expenditure attributable to the website and app during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred.

We capitalized development expenditure of self-developed website and app and the website and app are amortised on the straight-line basis over estimated useful lives of 10 years. The proprietary website and app is developed for pizza ordering. There is no expiry date for the proprietary website and app, and we can use and maintain the website and app as long as they can meet our pizza ordering needs. Based on the current functionalities of this website and app, we consider a useful life of 10 years to be the best estimation under current our business needs.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

***Leases***

We lease various offices, stores and central kitchens. Rental contracts for our offices are made for a term of three to six years with extension options. Rental contracts for our stores are typically made for a term of five to eight years with extension options, which we generally managed to extend for another four years on average during the Track Record Period. Rental contracts for our central kitchens are made for a term of five to ten years with extension options. Details of extension options are described below.

Contracts may contain both lease and non-lease components. We allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which we are a lessee, we have elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (if applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by us under residual value guarantees;
- the exercise price of a purchase option if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects us exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for our leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, we:

- where possible, use recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- use a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by us, which does not have recent third party financing; and
- make adjustments specific to the lease, e.g. term, country, currency and security.

We are exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following (if applicable):

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If we are reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise information technology equipment and small items of office furniture.

Extension and termination options are included in a number of our property leases. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, we consider all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in IFRS 16 Leases. In such cases, we took advantage of the practical expedient set out in IFRS 16 and recognised the change in consideration as if it were not a lease modification.

***Convertible Senior Ordinary Shares***

We issued convertible Senior Ordinary Shares which give holders a right for redemption into cash after specified time or a right for conversion into ordinary shares of our Company upon initial public offering ("**IPO**") automatically or any time at holders' option. The convertible Senior Ordinary Shares will be automatically converted into ordinary shares upon occurrence of certain events outside the control of our Company.

We designate convertible Senior Ordinary Shares as financial liabilities at FVPL. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as expense in profit or loss.

Subsequent to initial recognition, the convertible Senior Ordinary Shares are carried at fair value with changes in fair value recognised as "fair value change of financial liabilities at FVPL" in the consolidated statements of comprehensive income. The component of fair value changes relating to our Company's own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized.

In relation to the valuation of the fair value measurement of financial liabilities, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of the Pre-IPO Shareholders' Agreement; (ii) engaged an independent business valuer, provided the necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (iii) carefully considered all information, especially those non-market related information input, such as the fair value of the ordinary shares of our Company, possibilities under different scenarios, time to liquidation and discount for lack of marketability, which require management assessments and estimates; and (iv) reviewed the valuation working papers and results prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of financial liabilities, particularly the fair value hierarchy, the valuation methodology, key assumptions and the sensitivity of key assumptions to fair value are disclosed in Note 3.3 and Note 25 to the Accountant's Report set out in Appendix I to this document, which was reported on by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant's opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on page I-1 of Appendix I to this document.

In relation to the valuation of the financial liabilities classified within level 3 of the fair value measurement, the Sole Sponsor has conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountant's Report as contained in Appendix I of this document and relevant documents prepared by the valuer; (ii) discussed with the Company and the valuer about the key basis and assumptions for the valuation of the financial liabilities; and (iii) discussed with the Reporting Accountant about the audit procedures they performed in accordance with International Standards on Auditing regarding the valuation of the financial liabilities for the purpose of reporting on the Historical Financial Information of the Group, as a whole. Having considered the work done by the Directors and the Reporting Accountant and the relevant due diligence conducted as described above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed by the valuer on the financial liabilities classified within level 3 of the fair value measurement.

***Impairment of plant and equipment, Master Franchise Agreement and right-of-use assets***

We assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, including, among others, the economic impact of the unprecedented COVID-19 pandemic on our operations and the region in which we operate. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

## SUMMARY OF OUR CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated results of operations for the periods presented, both in absolute amount and as percentages of our total revenue. This information should be read together with our consolidated financial statements and related notes. The results of operations in any particular period are not necessarily indicative of our future trends.

| | For the Year Ended December 31, | | | | | | For the six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | *(in RMB thousands, except for percentage data)* | | | | | | | | | |
| | | | | | | | *(Unaudited)* | | | |
| Revenue | 836,629 | 100.0 | 1,104,053 | 100.0 | 1,611,327 | 100.0 | 766,559 | 100.0 | 908,789 | 100.0 |
| Raw materials and consumables cost | (228,065) | (27.3) | (310,505) | (28.1) | (425,580) | (26.4) | (203,574) | (26.6) | (247,193) | (27.2) |
| Staff compensation expense | (335,873) | (40.1) | (469,224) | (42.5) | (703,458) | (43.7) | (342,589) | (44.7) | (336,908) | (37.1) |
| Depreciation of right-of-use assets | (98,612) | (11.8) | (128,426) | (11.6) | (162,049) | (10.1) | (76,574) | (10.0) | (90,984) | (10.0) |
| Depreciation of plant and equipment | (57,737) | (6.9) | (76,932) | (7.0) | (98,656) | (6.1) | (46,859) | (6.1) | (56,673) | (6.2) |
| Amortization of intangible assets | (36,111) | (4.3) | (40,210) | (3.6) | (43,031) | (2.7) | (20,842) | (2.7) | (23,477) | (2.6) |
| Utilities expenses | (42,963) | (5.1) | (53,807) | (4.9) | (71,702) | (4.4) | (33,733) | (4.4) | (37,305) | (4.1) |
| Advertising and promotion expenses | (61,535) | (7.4) | (86,274) | (7.8) | (121,861) | (7.6) | (59,625) | (7.8) | (53,873) | (5.9) |
| Store operation and maintenance expenses | (53,730) | (6.4) | (75,715) | (6.9) | (101,826) | (6.3) | (48,226) | (6.3) | (57,676) | (6.3) |
| Variable lease rental payment, short-term rental and other related expenses | (6,875) | (0.8) | (8,146) | (0.7) | (17,975) | (1.1) | (8,698) | (1.1) | (14,231) | (1.6) |
| Other expenses | (45,034) | (5.4) | (56,332) | (5.1) | (56,988) | (3.5) | (21,992) | (2.9) | (45,211) | (5.0) |
| Fair value change of financial liabilities at fair value through profit or loss | – | – | (13,933) | (1.3) | (201,300) | (12.5) | (83,384) | (10.9) | (1,079) | (0.1) |
| Other income | 2,421 | 0.3 | 15,910 | 1.4 | 4,424 | 0.3 | 3,134 | 0.4 | 19,889 | 2.2 |
| Other (losses)/gain, net | (3,047) | (0.4) | (6,196) | (0.6) | (1,776) | (0.1) | 3,229 | 0.4 | (1,587) | (0.2) |
| Finance costs, net | (51,018) | (6.1) | (61,940) | (5.6) | (87,671) | (5.4) | (40,941) | (5.3) | (48,218) | (5.3) |
| **Loss before income tax** | **(181,550)** | **(21.7)** | **(267,677)** | **(24.2)** | **(478,122)** | **(29.7)** | **(214,115)** | **(27.9)** | **(85,737)** | **(9.4)** |
| Income tax (expense)/credit | – | – | (6,373) | (0.6) | 7,059 | 0.4 | 8,892 | 1.2 | (9,738) | (1.1) |
| **Loss for the year attributable to owners of the Company** | **(181,550)** | **(21.7)** | **(274,050)** | **(24.8)** | **(471,063)** | **(29.2)** | **(205,223)** | **(26.8)** | **(95,475)** | **(10.5)** |

## NON-IFRS MEASURES

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company. We believe that these measures provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as they help our management. However, our presentation of adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

### Reconciliation of our Non-IFRS Measures with IFRS Measures

The following table sets forth a reconciliation of our adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 to the nearest measure prepared in accordance with IFRS, which is net loss for the year.

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *(in RMB thousands)* | | | | |
| | | | | *(Unaudited)* | |
| **Reconciliation of net loss and adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure)** | | | | | |
| Net loss for the year[(1)] | (181,550) | (274,050) | (471,063) | (205,223) | (95,475) |
| Add: | | | | | |
| Fair value change of financial liabilities at fair value through profit or loss[(2)] | – | 13,933 | 201,300 | 83,384 | 1,079 |
| Share-based compensation | | | | | |
| – Directors' compensation, stock appreciation rights and RSUs[(3)] | 8,932 | 33,202 | 90,821 | 50,684 | (3,338) |
| – Guarantee fee for shareholders[(4)] | 4,408 | 16,876 | 16,126 | 8,116 | 12,269 |

| | For the year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *(in RMB thousands)* | | | | |
| | | | | *(Unaudited)* | |
| Listing expenses[5] | – | – | 10,296 | – | 16,599 |
| Issuance cost of convertible Senior Ordinary Shares[6] | – | 10,226 | 9,235 | 1,368 | – |
| **Adjusted Net Loss (non-IFRS measure)** | **(168,210)** | **(199,813)** | **(143,285)** | **(61,671)** | **(68,866)** |
| Add: | | | | | |
| Depreciation and amortization[7] | 93,848 | 117,142 | 141,687 | 67,701 | 80,150 |
| Income tax expense/(credit)[8] | – | 6,373 | (7,059) | (8,892) | 9,738 |
| Finance cost[9] | 41,179 | 58,707 | 71,352 | 35,384 | 34,553 |
| **Adjusted EBITDA (non-IFRS measure)** | **(33,183)** | **(17,591)** | **62,695** | **32,522** | **55,575** |

*Notes:*

(1) Net loss for the year is recorded as loss for the year attributable to owners of the Company.

(2) Fair value change of financial liabilities at fair value through profit or loss represents the losses arising from change in fair value to convertible Senior Ordinary Shares. Such changes are non-cash in nature. Upon the Listing, all convertible Senior Ordinary Shares will be automatically converted into ordinary shares which will no longer be recognized as financial liabilities at fair value through profit or loss.

(3) Directors' compensation, stock appreciation rights and RSUs are adjusted for as the items are non-cash in nature.

(4) Guarantee fee for shareholders represents fees associated with the guarantee by Good Taste Limited and James Marshall for the borrowings from a bank by our Group. Guarantee fee for shareholders is non-cash in nature. We have fully repaid the balance of such bank borrowings by the end of March 2022.

(5) Listing expenses relate to the Global Offering of our company.

(6) Issuance cost of convertible Senior Ordinary Shares represents the professional expense in connection with our issuance of convertible Senior Ordinary Shares in 2020 and 2021.

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

(8) Income tax expense/(credit) represents PRC corporate income tax in connection with profits generated by our wholly owned subsidiaries, Dash Beijing, Domino's Pizza (Dongguan) Co., Ltd. and Domino's Pizza (Ningbo) Co., Ltd., and the recognition of deferred income tax.

(9) Finance cost represents interest (expense)/income from financing activities.

**Adjusted EBITDA (non-IFRS measure)**

We define adjusted EBITDA (non-IFRS measure) as net loss for the period adjusted by adding back fair value change of financial liabilities at fair value through profit or loss, share-based compensation, listing expenses, issuance cost of convertible Senior Ordinary Shares, depreciation and amortization (excluding depreciation of right-of-use assets), income tax expense/(credit) and finance cost.

During the Track Record Period, our adjusted EBITDA (non-IFRS measure) was negative RMB33.2 million in 2019, negative RMB17.6 million in 2020, positive RMB62.7 million in 2021, positive RMB32.5 million for the six months ended June 30, 2021 and positive RMB55.6 million for the six months ended June 30, 2022. During the Track Record Period, our stores continued to perform strongly with increased revenue and well managed cost. However, our business is still in a fast growing stage and we need to reserve more resources to prepare for continued growth, which in turn caused us to incur more corporate expenses relative to our revenue growth. Therefore, a decrease of adjusted EBITDA (non-IFRS measure) was observed in 2020. As our revenue and operational efficiency continue to improve, we achieved a positive adjusted EBITDA (non-IFRS measure) in 2021 and the six months ended June 30, 2022.

**Adjusted net loss (non-IFRS measure)**

We define adjusted net loss (non-IFRS measure) as net loss for the period adjusted by adding back fair value change of financial liabilities at fair value through profit or loss, share-based compensation, listing expenses and issuance cost of convertible Senior Ordinary Shares.

We incurred significant adjusted net losses (non-IFRS measure) during the Track Record Period, primarily because historically we made substantial initial investments to drive rapid growth of our store network and enhance brand awareness, which we believe are indispensable to establish competitive advantages in the catering industry and capitalize on the significant white space in the pizza market in China as we improve our profitability. During the Track Record Period, our adjusted net loss (non-IFRS measure) was RMB168.2 million in 2019, RMB199.8 million in 2020, RMB143.3 million in 2021, RMB61.7 million for the six months ended June 30, 2021 and RMB68.9 million for the six months ended June 30, 2022. The fluctuation in our adjusted net loss (non-IFRS measure) from 2019 to June 30, 2022 was mainly attributable to our strategic effort to expand our store network and enhance our brand awareness.

## MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

### Revenue

During the Track Record Period, we generated revenue from the operation of restaurants. During the same period, we operated our business in China and generated all of our revenue from customers in China. Our revenue can be categorized by the location of stores, ordering channel and dining option.

The following table sets forth our revenue by region, both in absolute amounts and as percentages of our total revenue, for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | *(in RMB thousands, except for percentage data)* | | | | | | | | | |
| | | | | | | | *(Unaudited)* | | | |
| Beijing and Shanghai | 702,158 | 83.9 | 869,203 | 78.7 | 1,146,956 | 71.2 | 554,059 | 72.3 | 579,769 | 63.8 |
| New growth markets[(1)] | 134,471 | 16.1 | 234,850 | 21.3 | 464,371 | 28.8 | 212,500 | 27.7 | 329,020 | 36.2 |
| **Total** | **836,629** | **100** | **1,104,053** | **100** | **1,611,327** | **100** | **766,559** | **100** | **908,789** | **100** |

*Note:*

(1) New growth markets include Shenzhen, Guangzhou, Hangzhou, Tianjin, Nanjing, Suzhou, Wuxi, Ningbo, Foshan, Dongguan, Zhuhai and Zhongshan.

In terms of dining options, our revenue is primarily generated from delivery orders and non-delivery orders, which comprise carryout and dine-in orders. During the Track Record Period, delivery orders contributed significantly to our revenue. The following table sets forth our revenue by dining options, both in absolute amounts and as percentages of our total revenue, for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | *(in RMB thousands, except for percentage data)* | | | | | | | | | |
| | | | | | | | *(Unaudited)* | | | |
| Delivery | 586,009 | 70.0 | 822,359 | 74.5 | 1,180,171 | 73.2 | 559,171 | 72.9 | 649,803 | 71.5 |
| Non-delivery | 250,620 | 30.0 | 281,694 | 25.5 | 431,156 | 26.8 | 207,388 | 27.1 | 258,986 | 28.5 |
| **Total** | **836,629** | **100** | **1,104,053** | **100** | **1,611,327** | **100** | **766,559** | **100.0** | **908,789** | **100.0** |

In terms of order channels, our revenue is generated through orders placed on online channels, third-party online channels and offline channels. The table below sets forth a breakdown of our revenue by order channel, both in absolute amounts and as percentages of our total revenue, for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | *(in RMB thousands, except percentages)* | | | | | | | | | |
| | | | | | | | *(Unaudited)* | | | |
| **Revenue:** | | | | | | | | | | |
| *By order placement channel* | | | | | | | | | | |
| Our own online channels | 270,475 | 32.3% | 483,786 | 43.8% | 784,127 | 48.7% | 362,304 | 47.3% | 470,935 | 51.8% |
| Third-party channels | 442,382 | 52.9% | 571,994 | 51.8% | 761,987 | 47.3% | 375,843 | 49.0% | 383,815 | 42.2% |
| Offline channels | 123,773 | 14.8% | 48,273 | 4.4% | 65,212 | 4.0% | 28,412 | 3.7% | 54,040 | 6.0% |
| **Total** | **836,629** | **100.0%** | **1,104,053** | **100.0%** | **1,611,327** | **100.0%** | **766,559** | **100.0%** | **908,789** | **100.0%** |

**Raw materials and consumables cost**

Our raw materials mainly consist of food ingredients, including cheese, flour, pizza sauce, pork and chicken. Our consumables mainly consist of utensils, containers and packaging materials necessary for the operation of our Domino's Pizza stores. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our raw materials and consumables cost was RMB228.1 million, RMB310.5 million, RMB425.6 million, RMB203.6 million and RMB247.2 million, respectively, representing 27.3%, 28.1%, 26.4%, 26.6% and 27.2% of our total revenue in the same periods, respectively. Over the Track Record Period, the cost of raw materials represented approximately 90% of our total raw materials and consumables cost, while the cost of consumables represented the remaining 10%. For example, in the six months ended June 30, 2022, raw materials and consumables accounted for approximately 88.3% and 11.7%, respectively, of total our raw materials and consumables cost. Within raw materials, meat products, dairy products and sauces accounted for approximately 65%-70% of our total cost of raw materials over the Track Record Period.

The increase in our raw materials and consumables cost is primarily attributable to (i) the growth in the scale of operations, which has increased our need for raw materials and consumables, (ii) changes in our product mix as a result of new product launches and updates to our menu, and (iii) fluctuations in the cost of the raw materials and consumables that we purchase. In particular, with respect to fluctuations in cost, we purchase the vast majority of our raw materials and consumables from domestic suppliers, and therefore are primarily affected by cost fluctuations in the Chinese markets. For details about our procurement needs, see "Business – Supply Chain Management – Procurement and supplier management – Our procurement needs." See also "Industry overview – Cost of raw materials and labor – Cost of raw materials" for an overview of how the costs of certain raw materials in China have fluctuated.

**Staff compensation expense**

Our staff compensation expense consists of salary-based expense and share-based compensation. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our staff compensation expense was RMB335.9 million, RMB469.2 million, RMB703.5 million, RMB342.6 million and RMB336.9 million, respectively, representing 40.1%, 42.5%, 43.7%, 44.7% and 37.1% of our total revenue in the same periods, respectively.

Our staff compensation expense can be further divided into staff compensation expense attributable to store and central kitchen-level staff and staff compensation expense attributable to corporate-level staff which includes both salary-based expense and share-based compensation. The following table sets forth a breakdown of our staff compensation expense at the store and central kitchen level and the corporate level for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *(in RMB thousands)* | | | | |
| | | | | *(Unaudited)* | |
| **Store and Central Kitchen Level** | | | | | |
| Cash-based compensation expenses for full-time store staff | 101,572 | 138,083 | 202,736 | 92,305 | 125,885 |
| Cash-based compensation expenses for part-time store staff | 110,823 | 133,384 | 197,714 | 94,786 | 107,441 |
| Expenses relating to outsourced riders[(1)] | 23,583 | 31,373 | 46,328 | 23,013 | 20,258 |
| Cash-based compensation expenses for central kitchen staff | 11,618 | 13,169 | 15,818 | 7,840 | 8,732 |
| **Subtotal** | **247,597** | **316,009** | **462,596** | **217,943** | **262,316** |
| **Corporate Level** | | | | | |
| Cash-based compensation expenses for full-time staff | 79,345 | 120,013 | 150,042 | 73,962 | 77,930 |
| Share-based compensation | 8,932 | 33,202 | 90,821 | 50,684 | (3,338) |
| **Subtotal** | **88,277** | **153,215** | **240,863** | **124,646** | **74,592** |
| **Total staff compensation expense** | **335,873** | **469,224** | **703,458** | **342,589** | **336,908** |

*Note:*

(1) Represents service fees paid to third-party delivery service providers. Such fees are paid principally on the basis of the numbers orders delivered by riders allocated to us by such third-party delivery service providers.

For the years ended December 31, 2019, 2020 and 2021, we recognized share-based compensation of RMB8.9 million, RMB33.2 million and RMB90.8 million, respectively. The increase in share-based compensation from 2019 to 2021 was mainly the result of the increase in total equity value of our Group during the respective years. We recorded share-based compensation of RMB50.7 million for the six months ended June 30, 2021 as the total equity value of our Group continued to increase. We recorded a reversal in share-based compensation of negative RMB3.3 million for the six months ended June 30, 2022, primarily due to the cancellation of SAR awards of our executives in part and in full during the six months ended June 30, 2021 and 2022 respectively, which resulted in a one-off reversal of the corresponding accumulated share-based compensation expense provided since its inception.

**Depreciation of right-of-use assets**

Our depreciation of right-of-use assets represents the depreciation of capitalized lease incurred by long-term leased properties in accordance with IFRS 16. We lease various offices, stores and central kitchens, and typically enter into rental contracts for fixed periods and may have the options to renew such contracts.

The table below sets forth the depreciation of right-of-use assets by the type of properties for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *(in RMB thousands)* | | | | |
| | | | | *(Unaudited)* | |
| **Depreciation of right-of-use assets** | | | | | |
| Leased properties – stores and central kitchens | 94,149 | 123,951 | 157,384 | 74,719 | 88,791 |
| Leased properties – offices | 4,463 | 4,475 | 4,665 | 1,855 | 2,193 |
| **Total** | **98,612** | **128,426** | **162,049** | **76,574** | **90,984** |

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our depreciation of right-of-use assets was RMB98.6 million, RMB128.4 million, RMB162.0 million, RMB76.6 million and RMB91.0 million, respectively, representing 11.8%, 11.6%, 10.1%, 10.0% and 10.0% of our total revenue in the same periods, respectively.

**Depreciation of plant and equipment**

Our depreciation of plant and equipment mainly includes the depreciation of (a) leasehold improvements and (b) machinery and equipment. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our depreciation of plant and equipment was RMB57.7 million, RMB76.9 million, RMB98.7 million, RMB46.9 million and RMB56.7 million, respectively, representing 6.9%, 7.0%, 6.1%, 6.1% and 6.2% of our total revenue in the same periods, respectively.

**Amortization of intangible assets**

Our amortization of intangible assets mainly consists of the amortization of (a) the intangible assets recorded under our MFA, which include the master franchise fee and store franchise fee and (b) our development and license of software and website. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our amortization of intangible assets was RMB36.1 million, RMB40.2 million, RMB43.0 million, RMB20.8 million and RMB23.5 million, respectively, representing 4.3%, 3.6%, 2.7%, 2.7% and 2.6% of our total revenue in the same periods, respectively.

**Utilities expenses**

Our utilities expenses primarily include electricity, water and gas charges paid by us for our Domino's Pizza stores, central kitchens and offices, with the vast majority of such utilities expenses incurred in connection with the operation of our stores. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our utility expenses were RMB43.0 million, RMB53.8 million, RMB71.7 million, RMB33.7 million and RMB37.3 million, respectively, representing 5.1%, 4.9%, 4.4%, 4.4% and 4.1% of our total revenue in the same periods, respectively. The increase in utilities expense over the Track Record Period was primarily due to the growth of our operations as we have opened more stores. The following table sets forth a breakdown of our utilities expenses for the periods indicated, in both absolute amounts and as a percentage of our total utilities expenses:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | *(in RMB thousands, except for percentages)* | | | | | | | | | |
| | | | | | | | *(Unaudited)* | | | |
| **Utilities expenses:** | | | | | | | | | | |
| Stores | 41,579 | 96.8% | 52,045 | 96.7% | 69,657 | 97.2% | 32,802 | 97.2% | 36,424 | 97.6% |
| Central kitchens | 1,157 | 2.7% | 1,665 | 3.1% | 1,887 | 2.6% | 838 | 2.5% | 832 | 2.2% |
| Offices | 227 | 0.5% | 97 | 0.2% | 158 | 0.2% | 93 | 0.3% | 49 | 0.1% |
| **Total** | 42,963 | 100% | 53,807 | 100% | 71,702 | 100% | 33,733 | 100.0% | 37,305 | 100.0% |

**Advertising and promotion expenses**

Our advertising and promotion expenses are primarily incurred in connection with (a) digital marketing, (b) marketing through offline channels and (c) our loyalty program. We engage in marketing activities through a diverse mix of online and offline media, as well as through our loyalty program. For details on our marketing and promotion, please see "Business – Marketing and promotion". As we remain focused on growing our presence in China, including by expanding to new markets and acquiring customers across all markets to drive sales, we have prioritized our advertising and promotion efforts and have incurred expenses commensurately.

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our advertising and promotion expenses were RMB61.5 million, RMB86.3 million, RMB121.9 million, RMB59.6 million and RMB53.9 million, respectively, representing 7.4%, 7.8%, 7.6%, 7.8% and 5.9% of our total revenue in the same periods, respectively. The decrease in our advertising and promotion and expenses as a percentage of revenue in the six months ended June 30, 2022 was primarily attributable to the impact of the COVID-19 pandemic and related control measures, which resulted in temporary store closures, temporary suspensions of dine-in services and delayed store openings in Shanghai and other cities. Accordingly, we reduced our advertising and promotion efforts in affected areas. As the COVID-19 pandemic improves, we expect our advertising and promotion expenses, as a percentage of revenue, will become more similar to historic levels. In the near future, as we strengthen brand awareness by leveraging both offline and online marketing activities, we expect our advertising and promotion expenses, as a percentage of revenue, to remain in line with those in the Track Record Period. In the medium and long term, we expect advertising and promotion expenses to decrease as a percentage of revenue among its targeted customers and markets as we continue to open up new stores nationwide. With a national store network, our brand marketing activities will benefit a larger number of stores across markets in China, helping us achieve economies of scale and making our advertising and promotion activities and more cost-effective.

The following table sets forth a breakdown of our advertising and promotion expenses for the periods indicated, in both absolute amounts and as a percentage of our total advertising and promotion expenses:

| | For the year ended December 31, | | | | | | For the six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | *(in RMB thousands, except for percentages)* | | | | | | | | | |
| | | | | | | | *(Unaudited)* | | | |
| **Advertising and promotion expenses:** | | | | | | | | | | |
| Digital marketing[(1)] | 27,186 | 44.2% | 41,241 | 47.8% | 62,763 | 51.5% | 31,423 | 52.7% | 27,490 | 51.0% |
| Marketing through offline channels | 28,997 | 47.1% | 38,003 | 44.0% | 51,267 | 42.1% | 24,533 | 41.1% | 21,616 | 40.1% |
| Loyalty program | 5,020 | 8.2% | 6,625 | 7.7% | 7,250 | 5.9% | 3,448 | 5.8% | 4,092 | 7.6% |
| Others | 333 | 0.5% | 406 | 0.5% | 581 | 0.5% | 221 | 0.4% | 675 | 1.3% |
| **Total** | 61,535 | 100.0% | 86,274 | 100.0% | 121,862 | 100.0% | 59,625 | 100.0% | 53,873 | 100.0% |

*Note:*

(1) Digital marketing expenses primarily comprise (i) fees payable to third-party platforms of approximately one percent to six percent of the price of each order fulfilled by third-party ordering platforms, (ii) fees payable to third-party platforms for other advertising and promotion activities, which fees did not account for a material portion of our total advertising and promotion expenses during the Track Record Period, (iii) livestreaming fees, and (iv) other online marketing fees.

### Other expenses

Our other expenses consist of (a) telecommunication and information technology related expenses, (b) travelling and related expenses, (c) professional service expenses, (d) auditor's remuneration, (e) listing expenses and (f) others, including training fee, business meal, stamp duty tax and other office expenses.

The following table sets forth the details of our other expenses for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *(in RMB thousands)* | | | | |
| | | | | *(Unaudited)* | |
| Telecommunication and information technology related expenses[(1)] | 14,853 | 23,183 | 16,583 | 7,939 | 12,111 |
| Travelling and related expenses | 12,587 | 13,826 | 9,782 | 4,605 | 3,144 |
| Professional service expenses[(2)] | 9,761 | 9,465 | 7,797 | 3,702 | 4,506 |
| Auditor's remuneration | 1,476 | 1,946 | 2,301 | 1,153 | 1,420 |
| Listing expenses | – | – | 10,296 | – | 16,599 |
| Others | 6,357 | 7,912 | 10,229 | 4,593 | 7,431 |
| **Total** | **45,034** | **56,332** | **56,988** | **21,992** | **45,211** |

*Notes:*

(1) Telecommunication and information technology related expenses mainly include rental expenses for cloud services, telephone bills and information technology maintenance fee.

(2) Professional service expenses represent fees paid to independent, professional service providers in connection with legal, market research, recruitment and tax services. We pay legal fees primarily in connection with day-to-day legal services provided by both PRC counsel and offshore counsel. We incur market research fees for market surveys conducted by reputable market consulting service providers. We pay recruitment fees primarily in connection with services provided by talent search service providers. Our tax consulting fees primarily represent tax consulting and settlement services provided by international and PRC-based tax consulting service providers. The table below sets forth a breakdown of these professional service expenses, both in absolute amounts and as a percentage of our professional service expenses:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | *(in RMB thousands, except for percentages)* | | | | | | | | | |
| | | | | | | | *(Unaudited)* | | | |
| **Professional services expenses:** | | | | | | | | | | |
| Legal services | 3,640 | 37.3% | 1,870 | 19.8% | 1,673 | 21.4% | 905 | 24.5% | 758 | 16.8% |
| Market research services | 2,877 | 29.5% | 2,830 | 29.9% | 1,650 | 21.2% | 953 | 25.7% | 1,280 | 28.4% |
| Recruitment services | 1,541 | 15.8% | 2,877 | 30.4% | 2,674 | 34.3% | 943 | 25.5% | 1,150 | 25.5% |
| Tax services | 1,703 | 17.4% | 1,888 | 19.9% | 1,800 | 23.1% | 900 | 24.3% | 1,319 | 29.3% |
| **Total** | 9,761 | 100.0% | 9,465 | 100.0% | 7,797 | 100.0% | 3,702 | 100.0% | 4,506 | 100.0% |

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our other expenses were RMB45.0 million, RMB56.3 million, RMB57.0 million, RMB22.0 million and RMB45.2 million, respectively, representing 5.4%, 5.1%, 3.5%, 2.9% and 5.0% of our total revenue in the same periods, respectively.

**Fair value change of financial liabilities at fair value through profit or loss**

We designate convertible Senior Ordinary Shares as financial liabilities at FVPL.

The following table sets forth the details of fair value change of financial liabilities at FVPL for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | *(in RMB thousands)* | | | |
| | | | | *(Unaudited)* | |
| Convertible Senior Ordinary Shares[(1)] | – | (13,933) | (201,300) | (83,384) | (1,079) |

*Note:*

(1) Upon the Listing, all convertible Senior Ordinary Shares will be automatically converted into ordinary shares which will no longer be recognized as financial liabilities at fair value through profit or loss.

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our fair value change of financial liabilities at FVPL was nil, a loss of RMB13.9 million, a loss of RMB201.3 million, a loss of RMB83.4 million and a loss of RMB1.1 million, respectively, representing nil, 1.3%, 12.5%, 10.9% and 0.1% of our total revenue in the same periods, respectively.

### Store operation and maintenance expenses

Our store operation and maintenance expenses primarily include royalty expenses and store operating expenses and store maintenance expenses. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our store operation and maintenance expenses were RMB53.7 million, RMB75.7 million, RMB101.8 million, RMB48.2 million and RMB57.7 million, respectively, representing 6.4%, 6.9%, 6.3%, 6.3% and 6.3% of our total revenue in the same periods, respectively. The following table sets forth a breakdown of our store operating and maintenance expenses for the periods indicated, both in absolute amounts and as a percentage of our total store operating and maintenance expenses:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | *(in RMB thousands, except for percentages)* | | | | | | | | | |
| | | | | | | | *(Unaudited)* | | | |
| **Store operating and maintenance expenses:** | | | | | | | | | | |
| Royalty expenses[(1)] | 24,509 | 45.6% | 33,759 | 44.6% | 49,332 | 48.4% | 23,516 | 48.8% | 27,797 | 48.2% |
| Store operating expenses[(2)] | 19,963 | 37.2% | 31,394 | 41.5% | 40,433 | 39.7% | 19,070 | 39.5% | 23,252 | 40.3% |
| Store maintenance expenses[(3)] | 4,849 | 9.0% | 6,281 | 8.3% | 8,815 | 8.7% | 3,968 | 8.2% | 4,457 | 7.7% |
| Others | 4,409 | 8.2% | 4,281 | 5.7% | 3,246 | 3.2% | 1,672 | 3.5% | 2,170 | 3.8% |
| **Total** | 53,730 | 100.0% | 75,715 | 100.0% | 101,826 | 100.0% | 48,226 | 100.0% | 57,676 | 100.0% |

*Notes:*

(1) Represent royalty expenses incurred pursuant to the terms of the Master Franchise Agreement.

(2) Primarily represent expenses related to logistic fees, cleaning fees, office supplies, and other day-to-day expenses incurred in our store operations.

(3) Primarily represent store maintenance fees (related to regular disinfection, fire equipment inspection and others), equipment maintenance fees, and vehicle maintenance fees.

### Finance costs, net

Our finance costs, net primarily comprise interest expenses, guarantee fee for bank borrowings and issuance cost of convertible Senior Ordinary Shares, offset by interest income on cash at bank and net foreign exchange (losses)/gains on financing activities. Interest expenses mainly include those from our borrowings, those from our lease liabilities and those from our long-term payables.

The following table sets forth the details of our finance costs, net for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *(in RMB thousands)* | | | | |
| | | | | *(Unaudited)* | |
| Interest income on cash at bank | 1,594 | 1,159 | 1,860 | 1,008 | 890 |
| Interest expenses | (42,773) | (59,866) | (73,212) | (36,392) | (35,443) |
| – Bank borrowings | (1,049) | (10,401) | (14,171) | (7,305) | (8,760) |
| – Lease liabilities | (29,713) | (37,360) | (48,659) | (23,672) | (26,326) |
| – Long-term payables | (12,011) | (12,105) | (10,382) | (5,415) | (357) |
| Guarantee fee for bank borrowings[(1)] | (4,408) | (16,876) | (16,126) | (8,116) | (12,269) |
| Issuance cost of convertible Senior Ordinary Shares | – | (10,226) | (9,235) | (1,368) | – |
| Net foreign exchange (losses)/gains on financing activities | (5,431) | 23,869 | 9,042 | 3,927 | (1,396) |
| **Total** | **(51,018)** | **(61,940)** | **(87,671)** | **(40,941)** | **(48,218)** |

*Note:*

(1) Guarantee fee for bank borrowings represents fees associated with the guarantee by Good Taste Limited and James Marshall for the borrowings from a bank by our Group. We have fully repaid the balance of such bank borrowings by the end of March 2022. In addition, we have secured a credit facility from another bank, with a term of three years from the first drawdown to supplement the working capital needs when necessary.

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, we incurred RMB51.0 million, RMB61.9 million, RMB87.7 million, RMB40.9 million and RMB48.2 million of finance costs, net, respectively, representing 6.1%, 5.6%, 5.4%, 5.3% and 5.3% of our total revenue in the same periods, respectively.

## TAXATION

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, we had income tax (expense)/credit of nil, RMB(6.4) million, RMB7.1 million, RMB8.9 million and RMB(9.7) million, respectively. The fluctuation in income tax (expense)/credit was mainly driven by (a) current income tax expenses incurred at certain subsidiaries which commenced generating taxable income since 2020 and (b) the recognition of deferred income tax assets on temporary differences based on the estimated future available taxable income. As of the Latest Practicable Date, we did not have any material dispute with any tax authority.

We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the BVI, the Cayman Islands, Hong Kong and China, which we believe are significant.

### BVI

We are incorporated as a business company with limited liability under the BVI Business Companies Act and are not subject to tax on income or capital gains. Further, payment of dividends by the Company to its shareholders is not subject to any withholding tax under the laws of the BVI.

### Cayman Islands

Our subsidiary, Pizzavest China Ltd., has not been subject to any taxation in the Cayman Islands.

### Hong Kong

Our subsidiary in Hong Kong is subject to a profit tax rate of 16.5%. During the Track Record Period, Hong Kong profits tax had not been provided as our subsidiaries have no estimated assessable profits earned in or derived from Hong Kong.

### China mainland

Under the PRC Enterprise Income Tax Law, our PRC subsidiaries, and controlled entities and their subsidiaries were subject to statutory tax rate of 25%, subject to preferential tax treatments available to qualified enterprises in certain encouraged sectors of the economy. Domino's Pizzavest (Ningbo) Co., Ltd. and Domino's Pizza (Dongguan) Co., Ltd. are qualified as small and micro businesses and enjoy preferential income tax rate as approved by the local tax authorities effective from the date of the respective dates of their establishments. The tax rates applied for the year ended December 31, 2021 and the six months ended June 30, 2022 are 2.5% on taxable income for the first RMB1.0 million, 10% of tax rate on taxable income for the subsequent RMB1.0 million to RMB3.0 million and 25% of tax rate on taxable income over RMB3.0 million respectively.

## BUSINESS SUSTAINABILITY

### Overview

We are a restaurant chain operator built upon a global brand in an early stage of rapid expansion in China. Since 2018, the first full year during which our current chief executive officer and most of our current core executive management team joined our Company, we have experienced a transformational change in terms of our growth strategy and results. In particular, under the leadership of our current chief executive officer, we have (i) added a leadership team with substantial experience in the Chinese catering industry, (ii) adopted tailored localization strategies, (iii) implemented an actionable store expansion plan, (iv) become more focused on a delivery-centric business model, and (v) strengthened our development with respect to both our menu and our technology. At the core of this transformational change is our belief that, given the significant whitespace and growth potential of the China pizza market, developing a broad, nationwide store network is key to the long-term success and competitiveness of our business.

Under the leadership of our current management team, we have been focused on growing Domino's Pizza into a national brand in China by opening new stores in existing and new markets, while closely monitoring our profitability. As a result, during the Track Record Period, we (i) rapidly expanded our store network, (ii) maintained consistent and improving store-level profitability, and (iii) improved our group-level adjusted EBITDA (non-IFRS measure). Although we incurred net losses and adjusted net losses (non-IFRS measure) during the Track Record Period, we are focused on improving our group-level bottom-line profitability as we continue to execute our store growth strategy. We plan to continue to increase our revenue while controlling our costs and expenses, which we expect will improve our bottom-line profitability in the future.

**Our historical performance**

***Our track record of growth and improving profitability***

To illustrate the scale of our transformation since our current executive officer and management team joined our Company, the table below sets forth certain of our key financial and operating metrics during the Track Record Period.

| | As of and for the year ended December 31, | | | As of and for the six months ended June 30, | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| Number of stores | 268 | 363 | 468 | 415 | 508 |
| Revenue (RMB'000) | 836,629 | 1,104,053 | 1,611,327 | 766,559 | 908,789 |
| SSSG | 7.3% | 9.0% | 18.7% | 22.6% | 13.9% |
| Adjusted EBITDA (non-IFRS measure) (RMB'000) | (33,183) | (17,591) | 62,695 | 32,522 | 55,575 |
| Adjusted EBITDA margin (non-IFRS measure) | (4.0%) | (1.6%) | 3.9% | 4.2% | 6.1% |

We believe the metrics shown in the above table demonstrate that we have achieved:

- *Rapid growth of our store network and revenue.* Our nationwide presence grew from five cities at the beginning of 2018 to 12 cities as of June 30, 2022. The total number of our stores increased from 188 at the beginning of the Track Record Period to 468 as of December 31, 2021, representing a three-year CAGR of 35.5%, and further increased to 508 stores as of June 30, 2022. Our stores have also recorded increasing sales, as demonstrated by our consistently-positive SSSG throughout every quarter of the Track Record Period, despite a decrease in the first half of 2022 that was primarily attributable to the effects of the COVID-19 pandemic. This has driven a significant increase in our revenue.

- *Improving store-level profitability*. We were profitable at the store level, meaning our aggregate store earnings covered our aggregate store costs, as demonstrated by our positive and improving store-level operating profit margin during the Track Record Period. See "Business – The operating performance of our Domino's Pizza stores" for more details.

- *Improving group-level adjusted EBITDA (non-IFRS measure).* We saw steady improvement in our adjusted EBITDA (non-IFRS measure) during the Track Record Period, which improved from negative RMB33.2 million in 2019 to positive RMB62.7 million in 2021. Our adjusted EBITDA (non-IFRS measure) remained positive in June 30, 2022, and amounted to RMB55.6 million.

**Impact of the COVID-19 pandemic on our business sustainability**

Like other Domino's franchisees around the world, we have always been focused on delivery, and our business model is designed to provide quality delivery services. The COVID-19 pandemic accelerated the growth in demand for food delivery services. As a delivery-focused company, we benefitted from this trend, as stronger delivery and carryout sales drove the continued growth of our revenue, average daily sales, SSSG and other key performance indicators, as well as our brand recognition, throughout the Track Record Period. We believe, if and when the COVID-19 pandemic subsides, there would be no adverse impact to our business and operations, on the basis that (i) the COVID-19 pandemic has accelerated the consumer adoption of food delivery, resulting in a shift in consumer habits in favor of delivery, according to the Frost & Sullivan Report, (ii) the COVID-19 pandemic had the effect of increasing consumer recognition of our brand, and we believe this effect will be lasting in the long term due to the strength of our products and services, and (iii) the delivery segment of the China pizza market is expected to grow faster than the overall China pizza market, according to Frost & Sullivan. As a result, we believe that the stronger brand awareness, larger store network and large customer base we built up are lasting and will remain in the longer term and expected to continue to drive our growth even after the COVID-19 pandemic subsides.

***Our net loss and adjusted net loss (non-IFRS measure)***

Despite our rapid growth and improving profitability, we recorded net losses of RMB181.6 million, RMB274.1 million, RMB471.1 million and RMB95.5 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. In the same periods, we recorded adjusted net losses (non-IFRS measure) of RMB168.2 million, RMB199.8 million, RMB143.3 million and RMB68.9 million, respectively.

The net losses and adjusted net losses (non-IFRS measure) we incurred during the Track Record Period were primarily the result of our current core executive management's strategic decision to prioritize the expansion of our store network. In particular, beginning in 2018, when most of our current core executive management joined our Company, we have been focused on rapidly expanding our store network by accelerating the pace at which we open new stores and enter new markets. As a result, since 2018, the number of our stores, as well the number of cities in which we have a presence, has each increased more rapidly as compared to the period from 2010 (the year in which we acquired the master franchise) to 2018. At the same time, we have been monitoring our bottom line to ensure our expansion is sustainable, and have kept our annual adjusted net losses (non-IFRS measure) at between approximately RMB140 million and RMB200 million during the Track Record Period.

Because of our strategic decision, to prioritize store growth while monitoring profitability, (1) at the store level, our store network has a high proportion of new stores and stores in new growth markets, which are initially unprofitable because it take time to ramp up their sales and pay back the costs of opening them; and (2) at the corporate level, we have made significant investments in our business to support our expansion, such as in our talent pool for

store development, regional store management and IT functions, as well as brand-building activities. These two factors were the key reasons for our net losses and adjusted net losses (non-IFRS measure) during the Track Record Period. Each is described in more detail below.

*Ramp-up of new stores and new growth markets*

During the Track Record Period, we executed on our growth strategies and opened 320 new stores. As a result, as of June 30, 2022, stores that have been opened for three and a half years or less represented approximately 63% of our total stores. In addition, as part of our strategy to build a nationwide store network, we have been focused on expanding in our new growth markets, which are cities other than Beijing and Shanghai. At the end of 2019, 2020, 2021 and the first half of 2022, stores in our new growth markets represented approximately 33%, 39%, 43% and 44%, respectively, of our total stores. The high proportion of new stores and stores in new growth markets contributed to our net loss and adjusted net loss (non-IFRS measure) primarily because:

- *Sales in new stores and new growth markets remain in a ramp-up stage.* New stores typically have lower average daily sales per store compared to older stores during an initial ramp-up period. Similarly, stores in new growth markets typically have lower average daily sales per order compared to stores in Beijing and Shanghai. It takes time for these newer stores and new growth market stores to increase their sales to a level that approaches that of older stores and stores in Beijing and Shanghai. For example, stores opened in 2019 generated average daily sales per store of RMB7,415 in 2019, which was less than the group average of RMB10,292 in that year. However, by the first half of 2022, stores opened in 2019 had ramped up, and generated average daily sales per store of RMB11,062, which was similar to the group average of RMB11,462 in the same period. As we strategically accelerated the pace at which we opened new stores during the Track Record Period, we had a larger proportion of stores undergoing ramp-up, and our average daily sales per store was not as high as it would have been if we had opened stores at a slower pace and had a higher proportion of mature stores in our store network. For more information, including a tabular breakdown of average daily sales per store by store vintage and by market, see "Business – Our Domino's Pizza Stores – The operating performance of our Domino's Pizza stores – Key performance indicators – Average daily sales per store".

- *New stores take time to achieve cash investment payback.* From a payback perspective, the majority of our stores have not been open for a long enough time to achieve cash investment payback. Our cash investment payback period has been improving, but as most of our new stores have been open for less than three years, they have not been open for long enough to achieve cash investment payback. As of June 30, 2022, approximately 9% of the stores opened during the Track Record Period had achieved cash investment payback. For more information, see "Business – Our Domino's Pizza Stores – The operating performance of our Domino's Pizza stores – Initial breakeven and Cash investment payback period of our stores".

- *New stores have yet to cover their share of corporate-level expenses.* As new stores take time to ramp up sales and achieve cash investment payback as described above, it takes time for these stores to generate sufficient sales to cover their share of corporate-level costs. Although our stores collectively generated sufficient sales to cover their store-level costs and expenses, as demonstrated by our positive and steadily improving store-level operating profit during the Track Record Period, the high proportion of new stores in our store network means our stores, on a collective basis, were not yet able to cover their corporate-level costs and expenses.

*Corporate-level investments in support of a nationwide store network*

During the Track Record Period, we made substantial investments at the corporate level to support the rapid growth of our business and store network such as investing in our talent pool for store development, regional store management and IT functions, as well as brand-building activities. We believe that these corporate-level investments bring benefits shared by all of our stores. However, because our store network has not yet reached the scale and maturity needed to fully cover our corporate-level investments, these investments contributed to our net loss and adjusted net loss (non-IFRS measure) during the Track Record Period.

The corporate-level investments we made in our business are primarily reflected in our corporate overhead, which amounted to RMB157.4 million, RMB213.0 million, RMB239.2 million and RMB124.8 million, representing 18.8%, 19.3%, 14.8% and 13.7% of our revenue, in 2019, 2020, 2021 and the first half of 2022, respectively. During the Track Record Period, the following four items accounted for substantially all of our corporate overhead:

- *Corporate-level cash compensation expenses.* Cash-based compensation expenses for our corporate-level full-time staff amounted to RMB79.3 million, RMB120.0 million, RMB150.0 million and RMB77.9 million, representing 50.4%, 56.3%, 62.7% and 62.4% of our total corporate overhead in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. The majority of these costs were incurred in connection with compensating our store development and regional store management staff and IT and technology staff.

- *Corporate-level depreciation and amortization*. These expenses amounted to RMB41.4 million, RMB45.0 million, RMB48.0 million and RMB25.1 million, representing 26.3%, 21.1%, 20.1% and 20.1% of our total corporate overhead in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Corporate-level depreciation and amortization primarily represents (i) the amortization arising from the revaluation of the Master Franchise Agreement in connection with our corporate restructuring in 2017, which amounted to RMB32.0 million in 2019 and 2020, RMB31.8 million in 2021, and RMB15.9 million in the six months ended June 30, 2022, and (ii) the amortization of certain IT-related investments in connection with the enhancement of our digital platform and overall enterprise-level operational efficiency.

- *Corporate-level advertising and promotion expenses*. These expenses amounted to RMB2.9 million, RMB9.0 million, RMB14.5 million and RMB4.6 million, representing 1.9%, 4.2%, 6.1% and 3.7% of our total corporate overhead in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We incurred these expenses primarily in connection with marketing and promoting our brand, as well as additional marketing activities that we undertook as we entered new markets.

- *Corporate-level other expenses.* These expenses amounted to RMB29.0 million, RMB34.2 million, RMB21.6 million and RMB14.8 million, representing 18.4%, 16.1%, 9.0%, and 11.8% of our total corporate overhead, in 2019, 2020, 2021 and the first half of 2022, respectively. The main components of our corporate-level other expenses were (i) recruitment fees, which we paid to recruitment agencies to help us hire talents to support our rapid growth, (ii) marketing survey expenses, which we incurred by engaging market research firms to conduct market surveys to enable us to better understand our brand and our market, and (iii) travelling expenses, which we incurred primarily for our store development team's travel to onsite locations in support of store openings. See "Financial information – Major components of our results of operations – Other expenses".

During the Track Record Period, although our corporate overhead decreased as a percentage of our revenue, it increased in absolute amounts along with the growth of our store network. The increase in the absolute amount of our corporate overhead was mainly attributable to the increase in corporate-level cash-based staff compensation expenses and advertising and promotion expenses.

Cash-based compensation expenses for our corporate-level full-time staff increased in absolute amounts during the Track Record Period primarily because we were investing in our human capital to lay the foundations for a nationwide store network. As a result, we increased the headcount and/or compensation of our corporate-level staff, including (i) store development and regional store management staff to enable us to open and operate more stores, (ii) sales and marketing staff to build our brand, (iii) IT and technology staff to develop and support our online channels and backend infrastructure and (iv) general administration, management and other staff to support our significantly larger operations. The increase in absolute amounts was also attributable to merit-based salary increases. In the future, we expect our cash-based corporate-level staff compensation expenses to increase in absolute amounts but decrease as a percentage of revenue as the number of stores increases, which will enable us to realize economies of scale.

Our corporate-level advertising and promotion expenses increased in absolute amounts during the Track Record Period primarily because of our brand-building activities, particularly in new cities. In the future, we expect our corporate-level advertising and promotion expenses to increase in absolute amounts but decrease as a percentage of revenue as the number of stores increases, which will enable us to realize economies of scale and strengthen our brand organically.

For more information about how we will control our corporate-level costs in the future, see "– Measures to improve our profitability – Reduce corporate-level costs and expenses as a percentage of revenue by realizing economies of scale" below.

**Measures to improve our profitability**

During the Track Record Period, we (i) increased our scale by opening new stores and entering new cities, (ii) maintained our store-level profitability, as demonstrated by our store-level operating profit, and (iii) improved our group-level adjusted EBITDA (non-IFRS measure), which turned positive in 2021.

We plan to improve our group-level bottom-line profitability by driving revenues while reducing our costs and expenses. To that end, we will primarily pursue four key strategies: we will drive revenues by (i) increasing our revenue per store and (ii) increasing the total number of our stores; at the same time, we will reduce costs and expenses by (iii) continuing to control store-level costs and expenses and (iv) reducing our corporate costs as a percentage of revenue by realizing economies of scale. Assuming the successful execution of these strategies, we expect our group-level bottom-line profitability will improve as we realize greater economies of scale in the future.

***Drive revenue growth by increasing revenue per store***

We believe that, as we continue to build our brand, enhance our technology, refine our menu and strengthen our delivery leadership, there will be four core drivers of continued growth in average daily sales per store, each of which is supported by historical trends:

- *Newer stores will continue to ramp up their sales.* Historically, our new stores have a track record of ramping up their average daily sales per store after opening. Stores opened in 2019, 2020 and 2021 all achieved aggregate increases in their average daily sales per store over the Track Record Period. For example, stores in 2019 increased average daily sales from RMB7,415 in 2019 to RMB9,203 in 2021, before further increasing to RMB11,062 for the first half of 2022. Given the high proportion of new stores in our store network, we expect that our stores will continue to ramp-up their average daily sales per store.

- *Older stores will continue to increase sales.* In addition to the ramp-up of newer stores, we believe older stores will also increase their average daily sales per store. For example, stores opened before 2019 saw their average daily sales per store increase from RMB10,857 in 2019 to RMB13,844 in 2021, before further increasing to RMB15,277 in the first half of 2022, with similar trends for stores of other vintages. We believe that, as we continue to pursue our menu development and localization, active marketing and trade-up strategies, older stores will continue to increase their sales.

- *Stores in new growth markets ramp up faster than in Beijing and Shanghai.* The ramp-up of stores in our new growth markets has historically been faster than in Beijing and Shanghai. For example, from 2019 to 2021, stores opened in 2019 in Beijing and Shanghai increased their average daily sales per store at a CAGR of 9.1%, while stores opened in 2019 in our new growth markets increased their average daily sales per store at a CAGR of 16.5%. Similar trends apply to stores of other vintages. As we expect to expand quicker in our new growth markets, we expect our stores in such markets to drive our overall average daily sales per store.

- *Sales in new growth markets are catching up to Beijing and Shanghai.* Average daily sales per store in our new growth markets are approaching the levels of our stores in Beijing and Shanghai across stores of all vintages. This trend has accelerated over time. For example, for stores opened in 2022, average daily sales per store in our new growth markets was similar to that in Beijing and Shanghai. As our brand awareness in new growth markets grows, we expect this trend to continue in the future.

For more information about average daily sales per store, including breakdowns by store vintage and market, see "Business – Our Domino's Pizza Stores – The operating performance of our Domino's Pizza stores – Key performance indicators – Average daily sales per store".

As average daily sales per store ramps up, we expect that our cash investment payback period will shorten. Our typical cash investment payback period shortened during the Track Record Period across all of our markets. The average cash investment payback period of stores in Beijing and Shanghai that opened in 2021 is expected to be 32 months, while the typical cash investment payback period of stores in our new growth markets that opened in the same period is expected to be 45 months.

***Drive revenue by increasing the number of stores***

In addition to continually growing sales at our existing stores and in our existing markets, we plan to continue to open new stores in existing markets and explore opportunities to enter more new markets. We plan to open approximately 120 and 180 new stores in 2022 and 2023 primarily in Tier 1, New Tier 1 and Tier 2 cities with proximity to our three existing central kitchens located in Northern China, Eastern China and Southern China and also any new central kitchens to be established. Given the vast number of potential store locations in China, we expect we will continue to open new stores at a rapid pace in 2024 and 2025.

We believe, based on market analyses, that our store expansion is supported by sufficient customer demand. The China pizza market is expected to grow at a CAGR of 13.6% from 2021 to 2026, and the pizza delivery segment is expected to grow at a CAGR of 19.9% in the same period. The China pizza market also remains underserved, with just 10.9 pizza stores per million people, as compared to 28.1 and 28.3 stores per million people in Japan and South Korea, respectively. We believe we are well-positioned to capture a significant portion of this growth given our global image as a pizza expert, together with our expertise and positioning

in delivery. Historically, we have a track record of capturing a significant share of the growth in the China pizza market, having more than doubled our market share from 2017 to 2021. Additionally, we have grown faster than the overall market during the Track Record Period. Our revenues grew 32.0% in 2020 and 45.9% in 2021, while the overall pizza market contracted by 8% in 2020 and grew by 19.3% in 2021.

We have successfully executed our store expansion strategy during the Track Record Period. The total number of our stores increased from 188 at the beginning of the Track Record Period to 468 as of December 31, 2021, representing a three-year CAGR of 35.5%, before further increasing to 508 as of June 30, 2022. As of the Latest Practicable Date, we have opened 101 of the 120 stores that we plan to open in 2022 and have signed the leases and commenced the furnishing and preparatory work for the remaining 19 stores. We expect to meet our store opening target for 2022.

We have experienced success opening new stores in new growth markets. For example, in September 2021, we entered one new city, namely Ningbo, Zhejiang province. Our first store in Ningbo had an initial breakeven period of one month, and a cash investment payback period of approximately three and a half months, which was substantially lower than our group average at the time. Similarly, in April 2022, we expanded into Dongguan, Guangdong province. Our first store in Dongguan had an initial breakeven period of one month, which was also substantially lower than our group average at the time. We believe the success of these stores is testament to our ability to identify opportunities in new markets for new stores as we implement our store expansion plan.

By opening more stores, we expect to further strengthen our brand awareness, increase the penetration of delivery and carryout services and further drive sales growth, thereby further increasing our revenue. However, in the short term, the opening of new stores will cause us to have cash outflows, and these new stores may not immediately improve our profitability due to the time it takes for their sales to ramp up and for them to achieve initial breakeven and cash investment payback.

For details about our planned store network expansion, see "Business – Our growth strategies – Rapidly increase the number of our stores", "Business – Our Domino's Pizza stores – Our Domino's Pizza store network – Growth of our store network" and "Future plans and use of proceeds".

***Control store-level costs and expenses***

Because we successfully increased our revenue while controlling store-level costs, we were already profitable at the store level during the Track Record Period. To maintain our store-level profitability, in addition to increasing revenue per store (as discussed above), we intend to control our store-level costs and expenses, which generally remained flat as a percentage of revenue during the Track Record Period. In particular, we intend to control the following costs:

- *Store-level staff compensation expense.* We arrange store-level staff for each store based on the store's sales volume to ensure the normal operations of our stores. With the growth in the number of stores we operated during the Track Record Period, the number of our store-level staff increased commensurately. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, store-level salary-based expense was RMB247.6 million, RMB316.0 million, RMB462.6 million, RMB217.9 million and RMB262.3 million, respectively, representing 29.6%, 28.6%, 28.7%, 28.4% and 28.9% of our total revenue in the same periods, respectively, despite a general increase in labor costs in China. During the Track Record Period, we directly operated 268, 363, 468 and 508 stores in 2019, 2020, 2021 and June 30, 2022, respectively. Our sales order volume experienced continual increase along with our store expansion, which together drove the rise of our store-level salary-based expense during the Track Record Period. We plan to closely monitor the staffing at our stores and strive to achieve operational efficiency through improving our technology. For example, we will continue to leverage our smart staffing and smart order dispatch systems. Our smart staffing system assigns staff to stores based on anticipated need, which helps prevent overstaffing and in turn enables us to control our store-level compensation expense. Similarly, our smart order dispatch system identifies optimal routes for delivery, including by aggregating multiple delivery orders in a single trip, enabling our riders to make deliveries more efficiently, and enabling us to control the number of riders and the related expenses. As we refine these systems and implement other technologies, we expect we will better control our store-level staff compensation expense.

- *Rental expenses.* During the Track Record Period, our store-level rental expenses, which include depreciation of right-of-use assets and variable lease rental payment, short-term rental and other related expenses, as a percentage of total revenue in the respective period were 12.1% in 2019, 11.9% in 2020, 10.9% in 2021, 10.9% for the six months ended June 30, 2021 and 11.3% for the six months ended June 30, 2022. The decrease in our rental expenses as a percentage of total revenue from 2019 to 2021 was mainly due to the strong growth of our revenue and our strengthened negotiating power to negotiate more favorable lease terms as we enhanced our brand recognition. With a growing network of our stores in the future, we expect the rental expenses as a percentage of revenue to further decrease as our continued nationwide growth and strengthening brand will enhance our bargaining power in lease negotiations, which will enable us to secure lower rents and further optimize our lease term structures.

- *Raw materials and consumables cost.* During the Track Record Period, our raw materials and consumables cost, represented 27.3%, 28.1%, 26.4%, 26.6% and 27.2% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively. The fluctuation in raw materials and consumables cost was in line with our revenue growth. As we continue to increase the scale of our operations, we believe that we will be able to effectively control our raw materials and consumables cost as a percentage of revenue by implementing the following

measures: (i) strengthening our relationship with quality suppliers to secure competitive pricing of raw materials and consumables; (ii) leveraging centralized procurement and strong brand recognition to increase bargaining power over suppliers of raw materials and consumables, thereby optimizing procurement costs; (iii) upgrading our ERP system to ensure our inventory is accurately assessed and procurement effort is matched to the actual needs of our stores; and (iv) constantly monitoring the market prices of raw materials and strategically optimize inventory levels and procurement cost through bulk orders or prepayments.

***Reduce corporate-level costs and expenses as a percentage of revenue by realizing economies of scale***

As our business continues to grow, we expect to realize economies of scale and reduce corporate-level costs and expenses as a percentage of revenue to attain group-level, bottom-line profitability. During the Track Record Period, we made substantial investments at the corporate level, including by hiring more staff to support the expansion of our store network and developing our IT infrastructure. These corporate-level investments enabled us, among others, to (i) accelerate the pace at which we open new stores and enter new markets, (ii) develop and enhance our own online channels, and (iii) strengthen our brand across all of our markets.

In the future, as our business continues to mature, we expect to make corporate-level investments at a more moderate pace. As a result, our corporate overhead will decrease as a percentage of revenue, as shown by the trend during the Track Record Period, with our corporate overhead decreasing from 18.8% of revenue in 2019 to 14.8% in 2021, and further to 13.7% in the first half of 2022. In particular, we will control the four key components of our corporate overhead as follows.

*Corporate-level staff compensation expenses*

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our corporate-level cash-based compensation expense was RMB79.3 million, RMB120.0 million, RMB150.0 million, RMB74.0 million and RMB77.9 million, respectively, representing 9.5%, 10.9%, 9.3%, 9.6% and 8.6% of our total revenue in the same periods, respectively. Our corporate-level cash-based compensation expense primarily represents salaries paid to our corporate-level store development operations staff, IT and technology staff, sales and marketing staff and general administration, management and other staff. During the Track Record Period, corporate-level cash-based compensation expenses increased due primarily to an increase in headcount to support our rapid expansion, as well as an increase in salary levels to ensure that we continue to offer competitive remuneration in line with market trends. The number of corporate-level full-time staff as of December 31, 2019, 2020, 2021 and June 30, 2022, was 255, 303, 344 and 351, respectively. In 2021 and the six months ended June 30, 2022, the amount of cash-based compensation paid to our senior executive officers was RMB26.6 million and 10.2 million, respectively. We expect that corporate-level staff compensation expenses will decrease as a percentage of revenue as our business matures. In

particular, we expect that, as the number of stores increases, the earnings generated by those stores will be more than sufficient to cover the costs of our corporate-level staff. For example, we expect that the cash-based staff compensation expense for our store development and regional store management staff and our IT and technology staff, which accounted for a majority of our corporate-level cash-based compensation expense during the Track Record Period, will grow at a slower pace than revenue for the reasons set out below.

The table below sets forth a breakdown of our corporate-level cash-based staff compensation expense by function, in both absolute amounts and as percentages of total revenue, for the periods indicated:

| | For the year ended December 31, | | | | | | For the six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | *(in RMB thousands, except for percentages)* | | | | | | | | | |
| **Corporate-level cash-based compensation expense** | | | | | | | | | | |
| *By function* | | | | | | | | | | |
| Store development and regional store management | 36,654 | 4.4% | 46,900 | 4.2% | 57,882 | 3.6% | 28,000 | 3.7% | 32,176 | 3.5% |
| Sales and marketing | 8,770 | 1.0% | 10,134 | 0.9% | 11,865 | 0.7% | 5,826 | 0.8% | 6,521 | 0.7% |
| IT and technology | 4,672 | 0.6% | 18,664 | 1.7% | 21,100 | 1.3% | 9,433 | 1.2% | 10,737 | 1.2% |
| General administration, management and others | 29,249 | 3.5% | 44,315 | 4.0% | 59,195 | 3.7% | 30,703 | 4.0% | 28,496 | 3.1% |
| **Total** | 79,345 | 9.5% | 120,013 | 10.9% | 150,042 | 9.3% | 73,962 | 9.6% | 77,930 | 8.6% |

During the Track Record Period, corporate-level cash-based expenses for store development and regional store management staff represented 4.4%, 4.2%, 3.6%, 3.7% and 3.5% of our total revenue in 2019, 2020, 2021 and the first half of 2021 and 2022, respectively. These expenses are linked to the number of stores that we open and operate, and we expect that they will increase in absolute amounts as we open more stores in the future. However, we also expect that these costs will decrease as a percentage of revenue in the future. Historically, after most of our current core executive management team joined our Company in 2018, we made a strategic decision to accelerate the pace at which we open stores. As a result, we opened an increasing number of new stores in each year of the Track Record Period, having opened 83 stores in 2019, 98 stores in 2020, 108 stores in the first half of 2022. To support this accelerated pace of store openings, we increased the number of store development and regional store management staff commensurately. In 2020, 2021 and the twelve months ended June 30, 2022, the number of our store development and regional store management staff as at the end of the year or period increased by 21.6%, 17.8% and 13.0%, respectively as compared to the end of the previous year or period. In the near future, we plan to increase the number of stores that

we open in each year. However, the rate of this increase is expected to moderate as we approach a nationwide scale. When that happens, we expect that our hiring of such staff will continue to moderate in the future. Moreover, we expect operational efficiencies to be realized as our store density increases, which will enable each regional operational manager to oversee more stores. This in turn will enable our corporate-level staff compensation costs to decrease a percentage of revenue.

Our corporate-level compensation expenses relating to our IT and technology staff represented 0.6%, 1.7%, 1.3%, 1.2% and 1.2% of our total revenue in 2019, 2020, 2021 and the first half of 2021 and 2022, respectively. The increase in 2020 was primarily because we significantly enlarged our IT team in 2020 in connection with developing our proprietary app and website and CDP. This enlarged IT team successfully enhanced our IT infrastructure, enabling us to improve the user experience. In 2020, 2021 and the twelve months ended June 30, 2022, the number of our IT and technology staff as at the end of the year or period increased by 26.5%, nil and nil, respectively as compared to the end of the previous year or period. Now that we have successfully developed and deployed a set of core technologies, the number of our IT and technology staff has remained stable, and we expect our need for IT and technology staff and the related cash-based staff compensation expense will increase incrementally in absolute amounts and continue to decrease as a percentage of revenue in the future, enabling our corporate-level staff compensation costs to decrease as a percentage of revenue.

During the Track Record Period, the corporate-level cash-based expenses for general administration, management and other staff represented 3.5%, 4.0%, 3.7%, 4.0% and 3.1% of our total revenue in 2019, 2020, 2021 and the first half of 2021 and 2022, respectively. During the Track Record Period, as we accelerated the pace at which we increased the scale of our operations, we also increased the headcount and compensation of our general administration, management and other staff to ensure that we have sufficient talent to support our increased scale. In 2020, 2021 and the twelve months ended June 30, 2022, the number of our general administration, management and other staff as at the end of the year or period increased by 9.8%, 14.9% and 10.1%, respectively as compared to the end of the previous year or period. As corporate-level cash based expenses for general administration, management and other staff are linked to the number of stores that we operate and the overall size of our business, we expect these expenses to increase in absolute amounts in the future. However, we expect these costs will decrease as a percentage of revenue due to economies of scale, which we expect will be realized as the number of stores increases and their aggregate sales are able to cover the cost of these staff.

To control our corporate-level staff compensation expense, we will remain disciplined and prudent with respect to the rate at which we increase our headcount, and continue to find opportunities to control costs once our stores are ramped up. For example, we began prudently moderating the number of IT staff we hire after we built up our IT infrastructure. We will also optimize our staff structure. For example, we are aiming to have regional operational managers oversee more stores, which will enable us to continue increasing our operational efficiency. We expect that these measures will enable us to control our corporate-level compensation expense such that it grows at a slower rate than revenue.

*Corporate-level depreciation and amortization*

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our corporate-level depreciation and amortization was RMB41.4 million, RMB45.0 million, RMB48.0 million, RMB23.4 million and RMB25.1 million, respectively, representing 5.0%, 4.1%, 3.0%, 3.0% and 2.8% of our total revenue in the same periods, respectively. Our corporate-level depreciation and amortization has been consistently decreasing as a percentage of revenue over the Track Record Period. We expect this to continue in the future, as the majority of our corporate-level depreciation and amortization consists of the amortization arising from the revaluation of our Master Franchise Agreement, which is relatively fixed, and which amounted to RMB32.0 million in 2019 and 2020, RMB31.8 million in 2021, and RMB15.9 million in the six months ended June 30, 2021 and 2022, respectively. Other than the amortization of the Master Franchise Agreement, our corporate-level depreciation and amortization primarily includes (i) the depreciation of leasehold improvement, office furniture and electronic equipment incurred in our offices, which we expect to remain relatively stable in the future, as well as (ii) the amortization of our acquired software, self-developed website and app, which we expect to remain relatively fixed in the future. We therefore expect that our corporate-level depreciation and amortization will remain stable in absolute terms in the future, and will continue to decrease as a percentage of revenue.

*Corporate-level other expenses*

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our corporate-level other expenses amounted to RMB29.0 million, RMB34.2 million, RMB21.6 million, RMB9.4 million and RMB14.8 million, representing 3.5%, 3.1%, 1.3%, 1.2% and 1.6% of our revenue in the same periods, respectively. We expect that corporate-level other expenses will grow more moderately than revenues, primarily because the key components of corporate-level other expenses, namely recruitment fees, travelling expenses and market survey fees, are relatively fixed compared to our revenue.

*Corporate-level advertising and promotion expenses*

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our corporate-level advertising and promotion expenses was RMB2.9 million, RMB9.0 million, RMB14.5 million, RMB8.6 million and RMB4.6 million, respectively, representing 0.4%, 0.8%, 0.9%, 1.1% and 0.5% of our total revenue in the same periods, respectively. Although historically these expenses increased as a percentage of revenue, driven by our entry into new markets, we expect our corporate-level advertising and promotion expenses to decrease as a percentage of revenue as our brand strengthens organically through the growth of our store network. In particular, as our brand strengthens, we will be better able to control our corporate-level advertising and promotion expenses by being able to be more selective about what sort of brand building activities we pursue.

*Corporate-level finance costs*

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our corporate-level finance costs amounted to RMB46.6 million, RMB34.8 million, RMB62.3 million, RMB31.5 million and RMB35.9 million, respectively, representing 5.6%, 3.2%, 3.9%, 4.1% and 4.0% of our revenue in the same periods, respectively. During the Track Record Period, our corporate-level finance costs primarily represented the interest expense incurred in connection with our (i) lease liabilities and (ii) borrowings drawn upon the RMB210.0 million bank facility that we entered into in October 2019, which had an effective interest rate of between 4.85% and 6.9825% during the Track Record Period and is guaranteed by Dash Beijing, one of our subsidiaries. We expect that our corporate-level finance costs will grow more moderately than revenue in the future, primarily because (i) as our sales ramp up, the interest expense from lease liabilities, which are largely correlated with our store numbers, will decrease as a percentage of revenue, and (ii) in March 2022, we replaced the bank facility we entered into in October 2019 with a new RMB200 million bank facility with a lower effective interest rate of 4.8500% and a three-year term. We also expect that, as we continue to scale up in size, we will have more negotiating power to achieve better borrowing terms with banks.

***Our profitability outlook***

Upon the successful implementation of the foregoing measures, we believe we are well-positioned to achieve sustainable profitability in the future. We anticipate that, in three to five years, we will have a sufficient number of ramped-up stores to generate the sales needed to cover our corporate overhead and depreciation and amortization expenses arising from the opening of new stores. Our expectation is based on the forecasted pace of our store openings, increase in per-store and aggregate revenue, and reduction of our costs and expenses as a percentage of revenue.

Notwithstanding the foregoing, we expect to remain loss-making for at least another three years. Our net losses may increase in absolute amounts in 2022 as compared to 2021 primarily due to (i) our continued geographical expansion into new cities where our profitability tends to be lower due to the lack of strong brand awareness and the impact of capital expenditures related to store openings, and (ii) our continued corporate-level investments in support of a nationwide store network, including with respect to our talent pool for store development, regional store management and IT functions, as well as our brand-building activities. In the longer-term, our future profitability is uncertain and subject to various factors, including our ability to continue to effectively expand our nationwide store network and grow revenues in a cost-effective way and to execute on the strategies described above. See "Risk Factors – We incurred net losses during the Track Record Period and may not be able to maintain or increase the sales volume of our existing stores, control our costs and expenses and achieve or maintain profitability in the future."

**Our net current liabilities position**

During the Track Record Period, we recorded net current liabilities of RMB209.6 million, RMB202.5 million, RMB65.0 million and RMB64.1 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Each of these net current liabilities positions was primarily the result of our store expansion during the Track Record Period, during which we primarily used our cash generated from operating activities, proceeds from our pre-IPO investors and borrowings to finance the capital expenditure of such expansion, which mostly translated into non-current assets. Our non-current assets mainly included right-of-use assets, leasehold improvements, machinery and equipment, motor vehicles and intangible assets. As of December 31, 2019, 2020, 2021 and June 30, 2022, the percentage of non-current assets to total assets were approximately 92.7%, 85.8%, 75.2% and 78.0%. As of October 31, 2022, we had net current liabilities of RMB120.3 million.

We believe that our net current liabilities position will improve with net cash inflows generated from operating activities once our newly opened stores begin to generate a profit and with the net proceeds from the Global Offering. We plan to continue to improve our net current liabilities position by improving our economies of scale as our store network continues to grow. In addition, we will continue to improve our net current liabilities position by leveraging our central kitchen and centralized procurement of both raw materials and equipment to improve our operational efficiency and control costs. We also expect to take advantage of our enhanced brand awareness to negotiate with landlords for more favorable lease terms in the future to control our costs. Furthermore, we will continue to closely monitor our liquidity position to ensure that it is in line with our business operations and expansion plan. We will also manage the level of our cash and current assets to ensure the availability of sufficient cash flows to meet any planned or unexpected cash requirements arising from our operations. During the Track Record Period, the Group witnessed sustained improvement in its net current liabilities position. Between December 31, 2020 and December 31, 2021, net current liabilities decreased significantly from RMB202.5 million to RMB65.0 million before further decreasing to RMB64.1 million as of June 30, 2022, primarily as a result of (i) an increase in cash and cash equivalents as a result of fundraising from our Pre-IPO Investors in 2021, and (ii) the net cash generated from operating activities in 2021 and the six months ended June 30, 2022. Our net current liabilities position could also improve through the use of our unutilized banking facilities when needed, which facilities amounted to RMB100.0 million as of June 30, 2022, with a term of three years from the first drawdown.

**Liquidity and working capital**

As of June 30, 2022, we had cash and cash equivalents of RMB576.9 million. Taking into account our cash on hand, cash generated from operating activities, available banking facility and the estimated net proceeds we expect to receive from the Global Offering, our Directors are of the view that we will have sufficient working capital to meet our present requirements and for at least the next twelve months from the date of this document.

In the worst-case scenario, under which we are not able to become profitable in the foreseeable future because our new stores take longer than expected to ramp up, we will pause the opening of new stores and only focus on ramping up existing stores. For the year ended December 31, 2021 and the six months ended June 30, 2022, we had a positive net cash inflow from our operating activities (the net cash generated from operating activities less lease-related cash outflow from financing activities (cash outflow from payment of the principal and interest elements of lease liabilities)) of RMB136.4 million and RMB70.7 million respectively, which were primarily driven by revenue growth and enhanced store-level profitability during the period as we continued to expand our store network.

In addition, in the extreme scenario where we have to completely suspend all of our business operations and hence do not generate any revenue after June 30, 2022 due to unforeseeable circumstances or force majeure events and assuming, without taking into account any additional financial resources that we may obtain after the Listing, that we:

- cease all operations from July 1, 2022 onward, which assumes that from July 1, 2022 onward, we will not earn or incur (a) any revenue and costs in relation to store operations and maintenance, (b) any expenses in relation to advertising and promotion, and (c) any expenses in relation to the central kitchen;

- do not open any new stores and hence do not incur any capital expenditure and rental expenses for new stores;

- keep all the existing stores, office and central kitchen and settle lease payments when they fall due;

- do not lay off any of our employees or reduce their salaries, and make all their salaries payments;

- continue to make payment of all interest expenses when they fall due;

- settle all of our outstanding trade payables as of June 30, 2022;

- receive the settlement of all of our trade receivables as of June 30, 2022 by taking into account our historical settlement patterns;

- sell all of our inventories as of June 30, 2022 at a 25% discount;

- use 10% of the net proceeds from the Global Offering as our working capital based on the mid-point of the offer price range;

- use our unutilized banking facilities when needed, which facilities were RMB100.0 million as of October 31, 2022; and

- use our standby line of credit, which amounted to RMB100.0 million as of October 31, 2022, when needed,

we would have sufficient cashflow for our business to remain financially viable for at least twelve months ending June 30, 2023. The abovementioned analysis is for illustrative purposes only and our Directors estimate that the likelihood of such a situation occuring is extremely remote.

**Conclusion**

Based on the foregoing, and taking into account our existing profitability in Beijing and Shanghai, our improving profitability in our new growth markets, our results of operations and cash flows, our Directors believe that our Group has a sustainable business.

Taking into account the foregoing, the view of the Directors, and the due diligence work conducted by the Sole Sponsor including but not limited to (i) reviewing the Accountant's Report set out in Appendix I to this document, (ii) the financial due diligence conducted on the historical financial information of the Group during the Track Record Period and discussions with the Company's management, (iii) discussions with the Company's management and the industry consultant regarding the China pizza market, (iv) written confirmation provided by the Company in respect of working capital sufficiency and (v) discussions with the Company's management regarding the expansion plan of the Group, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question with the reasonableness of the Directors' view that the Group has a sustainable business.

The foregoing forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. For related risks, see "Risk factors – Risks related to our business and industry – Although we have grown rapidly, we cannot assure you that we will continue to grow at the same pace, or at all", "Risk factors – Risks related to our business and industry – Opening new stores could adversely affect our financial condition" and "Risk factors – Risks related to our business and industry – We incurred net losses during the Track Record Period and may not be able to maintain or increase the sales volume of our existing stores, control our costs and expenses and achieve or maintain profitability in the future".

## PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

### Six months ended June 30, 2022 compared to six months ended June 30, 2021

***Revenue***

Our revenue increased by 18.6% from RMB766.6 million for the six months ended June 30, 2021 to RMB908.8 million for the six months ended June 30, 2022, mainly attributable to (a) the increase in average daily sales per store in both Beijing and Shanghai, where we have a longer operating history, and our new growth markets, to which we have recently expanded, and (b) the growth in the number of new stores, which increased from 415 as of June 30, 2021 to 508 as of June 30, 2022. Our total sales in Beijing and Shanghai grew 4.6% from RMB554.1 million for the six months ended June 30, 2021 to RMB579.8 million for the six months ended June 30, 2022 and contributed 63.8% of our total revenue for the six months ended June 30, 2022, while our total sales in our new growth markets grew 54.8% from RMB212.5 million for the six months ended June 30, 2021 to RMB329.0 million for the six months ended June 30, 2022 and contributed 36.2% of our total revenue for the six months ended June 30, 2022.

In Beijing and Shanghai, revenues increased 4.6% from RMB554.1 million for the six months ended June 30, 2021 to RMB579.8 million for the six months ended June 30, 2022, which was mainly driven by a 7.8% increase in average daily sales per store, coupled with an increasing number of stores in operation as we added 34 new stores in these two cities from June 30, 2021 to June 30, 2022. In addition, the growth of revenues generated from stores in Beijing and Shanghai for the first half of 2022 was adversely impacted by COVID-19, as some of our stores located in the two cities were temporarily closed in compliance with local government policies.

In our new growth markets, revenues increased 54.8% from RMB212.5 million for the six months ended June 30, 2021 to RMB329.0 million for the six months ended June 30, 2022, which was mainly driven by a 14.3% increase in average daily sales per store, primarily attributable to increases in both average orders per store per day, which grew from 91 for the six months ended June 30, 2021 to 100 for the six months ended June 30, 2022, and average sales value per order, which grew from RMB83.6 for the six months ended June 30, 2021 to RMB87.2 for the six months ended June 30, 2022. This was coupled with an increasing number of stores in operation as we added 59 new stores to our new growth markets from June 30, 2021 to June 30, 2022.

Underlying our revenue growth was our continued menu development, timely delivery, excellent product taste and improved brand recognition, which enabled us to achieve SSSG of 13.9% across all markets, SSSG of 10.7% in Beijing and Shanghai, and SSSG of 22.1% in our new growth markets during the period.

***Raw materials and consumables cost***

Our raw materials and consumables cost increased by 21.4% from RMB203.6 million for the six months ended June 30, 2021 to RMB247.2 million for the six months ended June 30, 2022, which is in line with our revenue growth. Our raw materials and consumables cost as a percentage of revenue remained relatively stable during the period.

***Staff compensation expense***

Our staff compensation expense slightly decreased from RMB342.6 million for the six months ended June 30, 2021 to RMB336.9 million for the six months ended June 30, 2022, primarily due to a decrease in share-based compensation, partially offset by (a) the overall merit-based increase in salary and (b) the expansion of our store network which led to an increased level of staffing. The decrease in share-based compensation was mainly driven by the cancellation of SAR awards of our executives in part and in full during these two periods respectively, which resulted in a one-off reversal of the corresponding accumulated share-based compensation provided since its inception. The value of the SAR awards has grown significantly since they were granted in line with the value appreciation of our business. Excluding the share-based compensation, our staff compensation expense as a percentage of revenue decreased as our revenue continued to ramp up.

***Depreciation of right-of-use assets***

Our depreciation of right-of-use assets increased by 18.8% from RMB76.6 million for the six months ended June 30, 2021 to RMB91.0 million for the six months ended June 30, 2022, mainly attributable to the expansion of our store network. Our depreciation of right-of-use assets as a percentage of total revenue remained stable during the same period.

***Depreciation of plant and equipment***

Our depreciation of plant and equipment increased by 20.9% from RMB46.9 million for the six months ended June 30, 2021 to RMB56.7 million for the six months ended June 30, 2022, which was primarily due to increased equipment needs in conjunction with the expansion of our store network. Our depreciation of plant and equipment as a percentage of total revenue remained relatively stable during the same period.

***Amortization of intangible assets***

Our amortization of intangible assets increased by 12.6% from RMB20.8 million for the six months ended June 30, 2021 to RMB23.5 million for the six months ended June 30, 2022. The increase was primarily driven by the license costs of software and website. Our amortization of intangible assets as a percentage of total revenue remained relatively stable during the same period.

***Utilities expenses***

Our utilities expenses increased by 10.6% from RMB33.7 million for the six months ended June 30, 2021 to RMB37.3 million for the six months ended June 30, 2022, which was mainly attributable to the expansion of our store network which demands additional usage of utilities. Our utilities expenses as a percentage of total revenue remained relatively stable for the same period.

***Advertising and promotion expenses***

Our advertising and promotion expenses decreased by 9.6% from RMB59.6 million for the six months ended June 30, 2021 to RMB53.9 million for the six months ended June 30, 2022. The decrease was mainly driven by the impact of the COVID-19 pandemic and related control measures, including lockdowns and travel restrictions imposed by local governments from time to time to contain the spread of COVID-19 in the first half of 2022. These measures led to temporary store closures, temporary suspensions of dine-in services, and delayed store openings in Shanghai and other cities. Accordingly, we reduced our advertising and promotion efforts in affected areas. Our advertising and promotion expenses as a percentage of total revenue decreased from 7.8% for the six months ended June 30, 2021 to 5.9% for the six months ended June 30, 2022 for the same reasons. As the COVID-19 pandemic improves, we expect our advertising and promotion expenses, as a percentage of revenue, will become more similar to historic levels.

***Store operation and maintenance expenses***

Our store operation and maintenance expenses increased by 19.6% from RMB48.2 million for the six months ended June 30, 2021 to RMB57.7 million for the six months ended June 30, 2022. The increase in store operation and maintenance expenses was mainly due to the expansion of our store network. Our store operation and maintenance expenses as a percentage of total revenue remained relatively stable for the same period.

***Variable lease rental payment, short-term rental and other related expenses***

Our variable lease rental payment, short-term rental and other related expenses increased by 63.6% from RMB8.7 million for the six months ended June 30, 2021 to RMB14.2 million for the six months ended June 30, 2022. The increase was mainly driven by the expansion of our store network. Our variable lease rental payment, short-term rental and other related expenses as a percentage of total revenue remained relatively stable for the same period.

***Other expenses***

Our other expenses increased by 105.6% from RMB22.0 million for the six months ended June 30, 2021 to RMB45.2 million for the six months ended June 30, 2022, primarily due to the listing expenses in conjunction with the Listing. Our other expenses as a percentage of total revenue increased from 2.9% for the six months ended June 30, 2021 to 5.0% for the six months ended June 30, 2022 primarily for the same reason.

***Fair value change of financial liabilities at fair value through profit or loss***

The fair value change of financial liabilities at fair value through profit or loss decreased from RMB83.4 million for the six months ended June 30, 2021 to RMB1.1 million for the six months ended June 30, 2022. The fair value change of financial liabilities at fair value through profit or loss during the first half of 2021 was mainly the result of an increased balance of convertible senior ordinary shares as we received additional investments from Domino's Pizza LLC during the first half of 2021, coupled with a significant appreciation in the value of our business in light of our rapid store expansion and revenue growth. In comparison, the fair value change of financial liabilities at fair value through profit or loss for the first half of 2022 was primarily driven by the facts that (a) there was no addition to the balance of the convertible senior ordinary share and (b) the appreciation in the value of our business was limited against the backdrop of COVID-19 and relevant government measures during the first half of 2022.

***Other income***

Other income increased by 534.6% from RMB3.1 million for the six months ended June 30, 2021 to RMB19.9 million for the six months ended June 30, 2022. The increase was mainly due to our receipt of tax subsidies related to COVID-19 for the first half of 2022, which are one-off in nature. Other income as a percentage of total revenue increased from 0.4% for the six months ended June 30, 2021 to 2.2% for the six months ended June 30, 2022 for the same reason.

***Other (losses)/gain net***

Other (losses)/gain net changed from a gain of RMB3.2 million for the six months ended June 30, 2021 to a loss of RMB1.6 million for the six months ended June 30, 2022, primarily driven by the gain on termination of lease contracts in connection with the reallocation of stores in 2021 and the increase in loss on disposal of plant and equipment due to store closures in the first half of 2022. Other (losses)/gain, net as a percentage of total revenue were positive 0.4% and negative 0.2% for the six months ended June 30, 2021 and 2022, respectively, for the same reason.

***Finance costs, net***

Our finance costs, net increased by 17.8% from RMB40.9 million for the six months ended June 30, 2021 to RMB48.2 million for the six months ended June 30, 2022, mainly attributable to the accelerated recognition of guarantee fee for bank borrowing which we repaid early in March 2022 and replaced with a bank facility with lower interest rates and no other associated costs. Our finance costs, net as a percentage of total revenue remained relatively stable for the same period.

***Loss before income tax***

Primarily driven by the foregoing, our loss before income tax decreased by 60.0% from RMB214.1 million for the six months ended June 30, 2021 to RMB85.7 million for the six months ended June 30, 2022.

***Income tax (expense)/credit***

Our income tax (expense)/credit fluctuated from an income tax credit of RMB8.9 million for the six months ended June 30, 2021 to an income tax expense of RMB9.7 million for the six months ended June 30, 2022, which was primarily due to income tax expenses incurred at certain subsidiaries which generated more taxable income.

***Loss for the year attributable to owners of the Company***

As a result of the foregoing, our loss for the year attributable to owners of the Company decreased by 53.5% from RMB205.2 million for the six months ended June 30, 2021 to RMB95.5 million for the six months ended June 30, 2022.

**Year ended December 31, 2021 compared to year ended December 31, 2020**

***Revenue***

Our revenue increased by 45.9% from RMB1.1 billion in 2020 to RMB1.6 billion in 2021, mainly attributable to (a) the increase in average daily sales per store in both Beijing and Shanghai, where we have a longer operating history, and our new growth markets, to which we have recently expanded, and (b) the growth in the number of new stores, which increased from 363 as of December 31, 2020 to 468 as of December 31, 2021. Our total sales in Beijing and Shanghai grew 32% from 2020 to 2021 and contributed 71.2% of our total revenue in 2021, while our total sales in our new growth markets grew 97.7% from 2020 to 2021 and contributed 28.8% of our total revenue in 2021.

In Beijing and Shanghai, revenues increased 32.0% from RMB0.9 billion in 2020 to RMB1.1 billion in 2021, which was mainly driven by a 5.4% increase in average daily sales per store, coupled with an increasing number of stores in operation as we added 46 new stores in these two cities.

In our new growth markets, revenues increased 97.7% from RMB0.2 billion in 2020 to RMB0.5 billion in 2021, which was mainly driven by a 26.9% increase in average daily sales per store, primarily attributable to increases in both average orders per store per day, which grew from 75 in 2020 to 89 in 2021, and average sales value per order, which grew from RMB80.0 in 2020 to RMB85.6 in 2021. This was coupled with an increasing number of stores in operation as we added 59 new stores to our new growth markets in 2021.

Underlying our revenue growth was our continued menu development, timely delivery, excellent product taste and improved brand recognition, which enabled us to achieve SSSG of 18.7% across all markets, SSSG of 14.2% in Beijing and Shanghai, and SSSG of 37.7% in our new growth markets during the period.

***Raw materials and consumables cost***

Our raw materials and consumables cost increased by 37.1% from RMB310.5 million in 2020 to RMB425.6 million in 2021, which is in line with our revenue growth. Our raw materials and consumables cost as a percentage of revenue decreased from 28.1% to 26.4%. The slight percentage decrease was primarily due of a better planned and negotiated procurement of certain raw materials such as cheese in 2021.

***Staff compensation expense***

Our staff compensation expense increased by 49.9% from RMB469.2 million in 2020 to RMB703.5 million in 2021, primarily due to (a) the overall merit-based increase in salary, (b) the expansion of our store network which led to an increased level of staffing and (c) the increase in share-based compensation recognized primarily resulting from the increase in total equity value of our Group during the period. Our staff compensation expense as a percentage of revenue increased from 42.5% to 43.7% for the same reasons.

***Depreciation of right-of-use assets***

Our depreciation of right-of-use assets increased by 26.2% from RMB128.4 million in 2020 to RMB162.0 million in 2021, mainly attributable to the expansion of our store network. Our depreciation of right-of-use assets as a percentage of total revenue decreased from 11.6% in 2020 to 10.1% in 2021, mainly due to the strong growth of our revenue and our strengthened negotiating power to negotiate more favorable lease terms as we enhanced our brand recognition.

***Depreciation of plant and equipment***

Our depreciation of plant and equipment increased by 28.2% from RMB76.9 million in 2020 to RMB98.7 million in 2021, which was primarily due to increased equipment needs in conjunction with the expansion of our store network. Our depreciation of plant and equipment as a percentage of total revenue decreased from 7.0% in 2020 to 6.1% in 2021, mainly due to the strong growth of our revenue.

***Amortization of intangible assets***

Our amortization of intangible assets increased by 7.0% from RMB40.2 million in 2020 to RMB43.0 million in 2021. The increase was primarily driven by the acquisition of software and website. Our amortization of intangible assets as a percentage of total revenue decreased from 3.6% in 2020 to 2.7% in 2021, primarily due to the strong growth of our revenue achieved in 2021.

***Utilities expenses***

Our utilities expenses increased by 33.3% from RMB53.8 million in 2020 to RMB71.7 million in 2021, which was mainly attributable to the expansion of our store network which demands additional usage of utilities. Our utilities expenses as a percentage of total revenue remained relatively stable from 2020 to 2021.

***Advertising and promotion expenses***

Our advertising and promotion expenses increased by 41.2% from RMB86.3 million in 2020 to RMB121.9 million in 2021. The increase was mainly driven by the spending in advertising and promotion to grow our revenue and additional marketing efforts in cities where we opened new stores to enhance our brand awareness in order to acquire customers and drive sales. Our advertising and promotion expenses as a percentage of total revenue remained relatively stable from 2020 to 2021.

***Store operation and maintenance expenses***

Our store operation and maintenance expenses increased by 34.5% from RMB75.7 million in 2020 to RMB101.8 million in 2021. The increase in store operation and maintenance expenses was mainly due to the increases in royalty expenses, logistics fees and store maintenance fees from 2020 to 2021, which were in line with the expansion of our store network. Our store operation and maintenance expenses as a percentage of total revenue remained relatively stable from 2020 to 2021.

***Variable lease rental payment, short-term rental and other related expenses***

Our variable lease rental payment, short-term rental and other related expenses increased by 120.7% from RMB8.1 million in 2020 to RMB18.0 million in 2021. The increase was mainly driven by the expansion of our store network. Our variable lease rental payment, short-term rental and other related expenses as a percentage of total revenue remained relatively stable from 2020 to 2021.

***Other expenses***

Our other expenses increased by 1.2% from RMB56.3 million in 2020 to RMB57.0 million in 2021, primarily due to the listing expenses in conjunction with the Listing, partially offset by a 28.5% decrease in telecommunication and information technology related expenses and a 29.2% decrease in travelling and related expenses. The decrease in telecommunication and information technology related expenses was primarily attributable to a reduction in IT maintenance expenses as the operation of the store-related IT systems that we launched in 2020 stabilized. The decrease in travel and other expenses was primarily attributable to the impact of the COVID-19 pandemic, which restricted travel of the Company's employees both within and outside of China. Our other expenses as a percentage of total revenue decreased from 5.1% to 3.5% from 2020 to 2021 mainly attributable to the strong growth of our revenue.

***Fair value change of financial liabilities at fair value through profit or loss***

The fair value change of financial liabilities at fair value through profit or loss increased significantly from RMB13.9 million in 2020 to RMB201.3 million in 2021, primarily due to the additional convertible Senior Ordinary Shares issued from our financing activities in 2021 and the increase in the total equity value of our Group.

***Other income***

Other income decreased by 72.2% from RMB15.9 million in 2020 to RMB4.4 million in 2021. The decrease was mainly due to a relatively higher amount of government grants that we received in 2020 in connection with COVID-19, as compared to those we received in 2021. Other income as a percentage of total revenue decreased from 1.4% in 2020 to 0.3% in 2021 for the same reason.

***Other losses, net***

Other losses, net decreased by 71.3% from RMB6.2 million in 2020 to RMB1.8 million in 2021, primarily driven by the gain on termination of lease contracts in connection with the reallocation of stores in 2021. Other losses, net as a percentage of total revenue remained relatively stable from 2020 to 2021.

***Finance costs, net***

Our finance costs, net increased by 41.5% from RMB61.9 million in 2020 to RMB87.7 million in 2021, mainly attributable to the RMB13.3 million increase in interest expenses in connection with our bank borrowing and lease liabilities and the RMB14.8 million decrease in net foreign exchange gains on financing activities. Our finance costs, net as a percentage of total revenue remained relatively stable.

***Loss before income tax***

Primarily driven by the foregoing, our loss before income tax increased by 78.6% from RMB267.7 million in 2020 to RMB478.1 million in 2021.

***Income tax (expense)/credit***

Our income tax (expense)/credit fluctuated from an income tax expense of RMB6.4 million in 2020 to an income tax credit of RMB7.1 million in 2021, which was primarily due to the recognition of deferred income tax assets on temporary differences based on the estimated future available taxable income of certain subsidiary in China.

***Loss for the year attributable to owners of the Company***

As a result of the foregoing, our loss for the year attributable to owners of the Company increased by 71.9% from RMB274.1 million in 2020 to RMB471.1 million in 2021.

**Year ended December 31, 2020 compared to year ended December 31, 2019**

***Revenue***

Our revenue increased by 32.0% from RMB836.6 million in 2019 to RMB1.1 billion in 2020. The increase was primarily contributed by (a) the increase in the number of stores, which grew from 268 as of December 31, 2019 to 363 as of December 31, 2020, and (b) to a lesser extent, the increases in average daily sales per store in both Beijing and Shanghai and in our new growth markets, which were adversely impacted by the COVID-19 pandemic.

In 2020, we added 41 new stores in Beijing and Shanghai and 54 new stores in our new growth markets. Our total sales in Beijing and Shanghai grew 23.8% from 2020 to 2021 and contributed 78.7% of our total revenue in 2020, while our total sales in our new growth markets grew 74.6% from 2020 to 2021 and contributed 21.3% of our total revenue in 2020.

In Beijing and Shanghai, average daily sales per store remained relatively flat, increasing from RMB12,009 in 2019 to RMB12,122. In our new growth markets, average daily sales per store increased from RMB5,892 in 2019 to RMB6,002 in 2020. In both Beijing and Shanghai, as well as our new growth markets, average daily sales per store were boosted by increasing average sales value per order, which was partially offset by a decrease in average orders per store per day caused by adverse impact of the COVID-19 pandemic, particularly with respect to new stores, which have a higher percentage of dine-in orders compared to older stores. Despite the impact of the COVID-19 pandemic, our delivery sales remained relatively resilient.

In spite of the adverse impact of the COVID-19 pandemic, our continued efforts on menu development and localization, excellent product taste and improving our brand recognition, as well as the strength of our delivery service and our focused business model helped us remained resilient in 2020. This enabled us to achieve SSSG of 9.0% across all markets, SSSG of 7.7% in Beijing and Shanghai, and SSSG of 18.0% in our new growth markets during the period.

***Raw materials and consumables cost***

Our raw materials and consumables cost increased by 36.1% from RMB228.1 million in 2019 to RMB310.5 million in 2020. The increase in our raw materials and consumables cost was generally in line with our sales growth. Our raw materials and consumables cost as a percentage of revenue increased from 27.3% in 2019 to 28.1% in 2020, primarily due to the fluctuation of the price of raw materials such as pork in 2020.

***Staff compensation expense***

Our staff compensation expense increased by 39.7% from RMB335.9 million in 2019 to RMB469.2 million in 2020, primarily due to (a) the overall merit-based increase in salary, (b) the expansion of our store network which led to an increased level of staffing and (c) the RMB24.3 million increase in share-based compensation recognized resulting from the increase in the total equity value of our Group. Our staff compensation expense as a percentage of revenue increased from 40.1% in 2019 to 42.5% in 2020, primarily due to the increase in share-based compensation.

***Depreciation of right-of-use assets***

Our depreciation of right-of-use assets increased by 30.2% from RMB98.6 million in 2019 to RMB128.4 million in 2020, mainly attributable to the expansion of our store network. Our depreciation of right-of-use assets as a percentage of total revenue remained relatively stable from 2019 to 2020.

***Depreciation of plant and equipment***

Our depreciation of plant and equipment increased by 33.2% from RMB57.7 million in 2019 to RMB76.9 million in 2020, which was primarily due to increased equipment needs in conjunction with the expansion of our store network. Our depreciation of plant and equipment as a percentage of total revenue remained relatively stable from 2019 to 2020.

***Amortization of intangible assets***

Our amortization of intangible assets increased by 11.4% from RMB36.1 million in 2019 to RMB40.2 million in 2020. The increase was primarily driven by the development and license costs of software and website. Our amortization of intangible assets as a percentage of total revenue decreased from 4.3% in 2019 to 3.6% in 2020, primarily due to the strong growth of our revenue.

***Utilities expenses***

Our utilities expenses increased by 25.2% from RMB43.0 million in 2019 to RMB53.8 million in 2020, which was mainly attributable to the expansion of our store network which demands additional usage of utilities. Our utilities expenses as a percentage of total revenue remained relatively stable from 2019 to 2020.

***Advertising and promotion expenses***

Our advertising and promotion expenses increased by 40.2% from RMB61.5 million in 2019 to RMB86.3 million in 2020. The increase was mainly driven by the spending in advertising and promotion to grow our revenue and additional marketing efforts in cities where we opened new stores to boost our brand awareness in order to acquire customers and drive sales. Our advertising and promotion expenses as a percentage of total revenue remained relatively stable from 2019 to 2020.

***Store operation and maintenance expenses***

Our store operation and maintenance expenses increased by 40.9% from RMB53.7 million in 2019 to RMB75.7 million in 2020. The increase in store operation and maintenance expenses was primarily due to the increases in royalty expenses and logistics fees from 2019 to 2020. Our store operation and maintenance expenses as a percentage of total revenue remained relatively stable from 2019 to 2020.

***Variable lease rental payment, short-term rental and other related expenses***

Our variable lease rental payment, short-term rental and other related expenses increased by 18.5% from RMB6.9 million in 2019 to RMB8.1 million in 2020. The increase was mainly driven by the expansion of our store network. Our variable lease rental payment, short-term rental and other related expenses as a percentage of total revenue remained relatively stable from 2019 to 2020.

***Other expenses***

Our other expenses increased by 25.1% from RMB45.0 million in 2019 to RMB56.3 million in 2020. The increase was primarily attributable to a 56.1% increase in telecommunication and information technology related expenses and a 9.8% increase in travelling and other expenses. The increase in telecommunication and information technology related expenses was primarily attributable to the launch of an update to our store-related IT systems, while the increase in travelling and other expenses was primarily attributable to increased employee travel and related expenses incurred in connection with group-wide activities conducted to celebrate the opening of the Company's 400th store. Our other expenses as a percentage of total revenue remained relatively stable from 2019 to 2020.

***Fair value change of financial liabilities at fair value through profit or loss***

The fair value change of financial liabilities at fair value through profit or loss significantly increased from nil in 2019 to RMB13.9 million in 2020, primarily due to our issuance of convertible Senior Ordinary Shares in May 2020 and the increase in the total equity value of our Group from the date of issuance to the end of 2020.

***Other income***

Other income increased significantly from RMB2.4 million in 2019 to RMB15.9 million in 2020, mainly due to our receipt of government grants related to COVID-19. Other income as a percentage of total revenue increased from 0.3% in 2019 to 1.4% in 2020 for the same reason.

***Other losses, net***

Other losses, net increased by 103.3% from RMB3.0 million in 2019 to RMB6.2 million in 2020, primarily driven by the impairment charge of right-of-use assets in connection with the planned relocation of stores in 2020. Other losses, net as a percentage of total revenue remained relatively stable from 2019 to 2020.

***Finance costs, net***

Our finance costs, net increased by 21.4% from RMB51.0 million in 2019 to RMB61.9 million in 2020. The increase in finance costs, net was primarily due to (a) the RMB9.4 million increase in interest expenses relating to bank borrowings as a result of the increased balance of our bank borrowings in 2020, (b) the RMB7.6 million increase in interest expenses relating to lease liabilities in connection with the expansion of our store network, (c) the RMB12.5 million increase in guarantee fee from bank borrowings as the guarantee of our bank borrowings was for three months in 2019 and twelve months in 2020 and (d) the RMB10.2 million issuance cost of convertible Senior Ordinary Shares, offset by net foreign exchange gains on financing activities incurred in 2020 which were driven by the fluctuations of the currency exchange ratio between Renminbi and US Dollar. Our finance costs, net as a percentage of total revenue remained relatively stable from 2019 to 2020.

***Loss before income tax***

Due to the foregoing, our loss before income tax increased by 47.4% from RMB181.6 million in 2019 to RMB267.7 million in 2020.

***Income tax expense***

Our income tax expense increased from nil in 2019 to RMB6.4 million in 2020. The increase in income tax expense was primarily incurred at our wholly owned subsidiary of Dash Beijing as it commenced generating net profit in 2020.

***Loss for the year attributable to owners of the Company***

Primarily driven by the foregoing, our loss for the year attributable to owners of the Company increased by 51.0% from RMB181.6 million in 2019 to RMB274.1 million in 2020.

## DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED BALANCE SHEETS

The following table sets forth information from our consolidated balance sheets as of the dates indicated, which has been extracted from the Accountant's Report in Appendix I to this document:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *(in RMB thousands)* | | | |
| Total non-current assets | 2,079,404 | 2,273,457 | 2,378,653 | 2,421,166 |
| Total current assets | 163,753 | 375,259 | 784,041 | 684,222 |
| **Total assets** | **2,243,157** | **2,648,716** | **3,162,694** | **3,105,388** |
| Total non-current liabilities | 531,953 | 996,809 | 1,355,787 | 1,505,858 |
| Total current liabilities | 373,353 | 577,722 | 849,030 | 748,279 |
| **Total liabilities** | **905,306** | **1,574,531** | **2,204,817** | **2,254,137** |
| **Net current liabilities** | **(209,600)** | **(202,463)** | **(64,989)** | **(64,057)** |
| **Net assets** | **1,337,851** | **1,074,185** | **957,877** | **851,251** |
| **Total equity and liabilities** | **2,243,157** | **2,648,716** | **3,162,694** | **3,105,388** |
| Share capital | 576,620 | 582,677 | 651,496 | 651,496 |
| Share premium | 854,976 | 872,366 | 1,143,738 | 1,143,738 |
| Other reserves | 29,671 | 16,608 | 44,006 | 32,855 |
| Accumulated losses | (123,416) | (397,466) | (868,529) | (964,004) |
| Shares held for restricted share units | – | – | (12,834) | (12,834) |
| **Total equity** | **1,337,851** | **1,074,185** | **957,877** | **851,251** |

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

| | As of December 31, | | | As of June 30, | As of October 31, |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2022 |
| | | | | | *(unaudited)* |
| | | *(in RMB thousands)* | | | |
| **Current assets** | | | | | |
| Inventories | 21,090 | 25,677 | 36,517 | 47,217 | 43,943 |
| Trade receivables | 2,318 | 3,630 | 4,581 | 4,494 | 3,222 |
| Prepayment, deposits and other receivables | 55,871 | 85,528 | 84,056 | 55,353 | 94,324 |
| Cash and cash equivalents | 83,657 | 257,390 | 656,672 | 576,944 | 440,767 |
| Restricted cash | 817 | 3,034 | 2,215 | 214 | 200 |
| **Total current assets** | **163,753** | **375,259** | **784,041** | **684,222** | **582,456** |
| **Current liabilities** | | | | | |
| Borrowings | – | 30,000 | 180,000 | – | – |
| Lease liabilities | 98,503 | 128,046 | 141,212 | 162,941 | 170,439 |
| Trade payables | 83,992 | 73,743 | 124,696 | 141,843 | 118,290 |
| Contract liabilities | 11,767 | 17,269 | 23,210 | 27,063 | 25,696 |
| Accruals and other payables | 179,091 | 322,291 | 358,365 | 401,619 | 376,314 |
| Current income tax liabilities | – | 6,373 | 21,547 | 14,813 | 11,995 |
| **Total current liabilities** | **373,353** | **577,722** | **849,030** | **748,279** | **702,734** |
| **Net current liabilities** | **(209,600)** | **(202,463)** | **(64,989)** | **(64,057)** | **(120,278)** |

We recorded net current liabilities of RMB209.6 million, RMB202.5 million, RMB65.0 million and RMB64.1 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively. We recorded net current liabilities of RMB120.3 million as of October 31, 2022. These net current liabilities were primarily the result of our store expansion during the Track Record Period and the period from July 1, 2022 to October 31, 2022, during which we primarily used our cash generated from operating activities, proceeds from our pre-IPO investors and borrowings to finance the capital expenditure of such expansion, which mostly translated into non-current assets. The increase in our net current liabilities as of October 31, 2022 was also due to the decrease in our cash and cash equivalents from June 30, 2022 to October 31, 2022 as we used cash to finance our store expansion.

Our net current liabilities were primarily attributable to lease liabilities, trade payables and accruals and other payables. Our net current liabilities remained relatively stable as of December 31, 2019 and 2020. Our net current liabilities decreased from RMB202.5 million as of December 31, 2020 to RMB65.0 million as of December 31, 2021, mainly due to the recognition our borrowings of RMB150.0 million from long-term to short-term and the increase in trade payables and accruals and other payables of RMB51.0 million and RMB36.1 million, respectively, which was partially offset by the increase in cash and cash equivalents of RMB399.3 million. Our net current liabilities decreased from RMB65.0 million as of December 31, 2021 to RMB64.1 million as of June 30, 2022, mainly attributable to the net cash generated from operating activities for the six months ended June 30, 2022. We believe that our net current liabilities position will improve with the net proceeds from the Global Offering and with net cash inflows generated from operating activities once the newly opened stores begin to make profit.

Notwithstanding the above, our Directors are of the view that we will have available sufficient working capital to meet our present requirements and for at least the next twelve months from the date of this document, taking into account cash on hand and cash at banks, cash generated from operating activities, secured revolving credit facility from a bank in China and the estimated net proceeds we expect to receive from the Global Offering. We believe that our business operation and financial condition will not be materially and adversely affected by our current liabilities position.

**Plant and equipment**

Our plant and equipment represents (a) leasehold improvements, (b) machinery and equipment, (c) motor vehicles, (d) office equipment and (e) construction in progress, which mainly includes leasehold improvements and machinery and equipment under construction or installation. The following table sets forth our plant and equipment as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *(in RMB thousands)* | | | |
| Leasehold improvements | 154,309 | 196,054 | 238,579 | 245,707 |
| Machinery and equipment | 109,215 | 133,104 | 152,922 | 153,214 |
| Motor vehicles | 10,134 | 14,018 | 15,983 | 15,628 |
| Office equipment | 7,956 | 8,319 | 7,647 | 6,698 |
| Construction in progress | 2,089 | 10,122 | 11,919 | 11,097 |
| **Total** | **283,703** | **361,617** | **427,050** | **432,344** |

Our plant and equipment increased from RMB283.7 million as of December 31, 2019 to RMB361.6 million as of December 31, 2020, further increased from RMB361.6 million as of December 31, 2020 to RMB427.1 million as of December 31, 2021 and further increased from RMB427.1 million as of December 31, 2021 to RMB432.3 million as of June 30, 2022. The increase was primarily driven by the expansion of our store network. For further information regarding our plant and equipment, see Note 13 to the Accountant's Report in Appendix I to this document.

**Right-of-use assets**

Our right-of-use assets primarily represent the premises we lease for our stores. Our right-of-use assets increased from RMB468.4 million as of December 31, 2019 to RMB595.8 million as of December 31, 2020, increased further from RMB595.8 million as of December 31, 2020 to RMB637.6 million as of December 31, 2021 and increased from RMB637.6 million as of December 31, 2021 to RMB672.4 million as of June 30, 2022. The increase in right-of-use assets from 2019 to June 30, 2022 was primarily in line with our store expansion plan during the Track Record Period.

**Intangible assets**

Our intangible assets mainly include the MFA and goodwill which were arisen from the Acquisition. The following table sets forth our intangible assets as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *(in RMB thousands)* | | | |
| MFA | 891,605 | 854,464 | 820,973 | 808,625 |
| Goodwill | 360,479 | 360,479 | 360,479 | 360,479 |
| Acquired software and website | 33,491 | 53,512 | 55,212 | 55,787 |
| Self-developed website | 9,440 | 8,480 | 7,520 | 7,040 |
| Store franchise fees | 4,219 | 7,750 | 9,822 | 10,047 |
| **Total** | **1,299,234** | **1,284,685** | **1,254,006** | **1,241,978** |

As of December 31, 2019, 2020, 2021 and June 30, 2022, our intangible assets were RMB1,299.2 million, RMB1,284.7 million, RMB1,254.0 million and RMB1,242.0 million, respectively. There has been no impairment of the goodwill during the Track Record Period. The gradual decrease in intangible assets from 2019 to June 30, 2022 was primary due to the amortization of the MFA.

The recoverable amount of the group of CGUs, which is allocated to the whole group, are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 10-year period. We are in an industry which is currently in the stage of rapid development. Considering our store expansion plan, we plan to continue to grow our presence in China by expanding geographic coverage and deepening market penetration. As a result, we will be in a period of rapid development for the next few years and expect to develop to a stable stage in the next decade. The recoverable amount of the group of CGUs is determined based on the valuation results, which were also been cross checked to the valuation report as issued by an independent qualified appraisal firm, Avista Valuation Advisory Limited.

For the years of 2019, 2020 and 2021 and the six months ended June 30, 2022, the key assumptions are:

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | *%* | *%* | *%* | *%* |
| Revenue growth rate | 11.4 - 39.3 | 11.4 - 37.8 | 9.2 - 27.6 | 9.2 - 26.9 |
| Pre-tax discount rate | 19.9 | 19.1 | 18.3 | 18.3 |
| Terminal growth rate | 3.0 | 2.5 | 2.5 | 2.5 |

Based on the results of the impairment assessment, our Directors concluded that no impairment on goodwill has to be recognized as of the respective balance sheet dates.

**Prepayments, deposits and other receivables**

Our prepayments, deposits and other receivables primarily consist of rental deposits for our stores, prepayments of guarantee fee, raw materials and listing expenses, value added tax recoverable and other receivables. In particular, the guarantee fee represents fees paid to Good Taste Limited, one of our Controlling Shareholders, for the guarantee that it provided in connection with a three-year, RMB210.0 million bank facility that we entered into in October 2019, which we repaid early in full in March 2022. The total fee payable to Good Taste Limited for the provision of the guarantee, or the "guarantee fee", was US$7,522,000, which was paid in the form of issuances of ordinary shares of the Company. The total fees paid to Good Taste Limited are recorded under finance costs, net, and were RMB4.4 million, RMB16.9 million and RMB16.1 million in 2019, 2020 and 2021, respectively, and RMB8.1 million and RMB12.3 million in the six months ended 30 June 2021 and 2022, respectively. The following table sets forth our prepayments, deposits and other receivables as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *(in RMB thousands)* | | | |
| **Non-current** | | | | |
| Rental deposits | 22,880 | 29,490 | 31,773 | 36,452 |
| Prepayments | | | | |
| – guarantee fee | 4,883 | 1,957 | – | – |
| – others | 426 | 324 | – | – |
| Less: loss allowance for other financial assets at amortised cost | (167) | (391) | (401) | (411) |
| Non-current prepayments, deposits and other receivables | **28,022** | **31,380** | **31,372** | **36,041** |
| **Current** | | | | |
| Prepayments | | | | |
| – guarantee fee | 13,778 | 12,927 | 11,954 | – |
| – raw materials | 3,491 | 15,267 | 10,804 | 2,888 |
| – listing expenses | – | – | 994 | 2,476 |
| – others | 1,706 | 2,817 | 3,478 | 4,328 |
| Value added tax recoverable | 33,548 | 47,297 | 45,318 | 34,123 |
| Rental deposits | 1,806 | 4,563 | 9,061 | 8,327 |
| Other receivables | 1,576 | 2,718 | 2,544 | 3,349 |
| Less: loss allowance for other financial assets at amortised cost | (34) | (61) | (97) | (138) |
| Current prepayments, deposits and other receivables | **55,871** | **85,528** | **84,056** | **55,353** |
| **Total** | **83,893** | **116,908** | **115,428** | **91,394** |

Our prepayments, deposits and other receivables increased from RMB83.9 million as of December 31, 2019 to RMB116.9 million as of December 31, 2020, decreased from RMB116.9 million as of December 31, 2020 to RMB115.4 million as of December 31, 2021 and decreased from RMB115.4 million as of December 31, 2021 to RMB91.4 million as of June 30, 2022. The increase in prepayments, deposits and other receivables from 2019 to 2020 was primarily driven by (a) the increase in the prepayments of certain food ingredients to obtain better procurement pricing terms from suppliers, (b) the increase in value added tax recoverable deriving from an increased volume of raw materials and equipment procured to support our business growth and (c) the increase in rental deposits primarily due to the expansion of our store network. Our prepayments, deposits and other receivables remained relatively stable from 2020 to 2021. The decrease in prepayments, deposits and other receivables from December 31, 2021 to June 30, 2022 was primarily due to (a) the decrease in prepaid guarantee fee due to our early repayment of bank borrowings in March 2022 and (b) the decrease in value added tax recoverable due to the delay of issuing the invoice by our vendor resulting from the impact of COVID-19.

**Inventories**

Our inventories represent raw materials and consumables, which primarily comprise food ingredients, packing materials, gadgets, cleaning tools, office supplies and uniforms.

Our inventories increased from RMB21.1 million as of December 31, 2019 to RMB25.7 million as of December 31, 2020, increased from RMB25.7 million as of December 31, 2020 to RMB36.5 million as of December 31, 2021 and further increased from RMB36.5 million as of December 31, 2021 to RMB47.2 million as of June 30, 2022. During the Track Record Period, the increase in our inventories was mainly driven by the increased amount of food and beverages that we reserved for our business operation, which was due to the increase in the numbers of the stores we operate.

Inventories turnover days are based on the average balance of inventories divided by cost of raw materials and consumables cost for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, our inventory turnover days were 29.3 days, 27.5 days, 26.7 days and 30.7 days. The slight decrease in our inventory turnover days from 2019 to 2021 was primary due to our improved procurement capabilities and our enhanced efficiency of supply chain management as we engaged more local suppliers in cities where we operate. The increase in inventory turnover days from December 31, 2021 to June 30, 2022 was mainly attributable to a 5-day increase in safety stock under the COVID-19.

The following table sets forth an aging analysis of inventories by category as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *(in RMB thousands)* | | | |
| Within one year | 21,090 | 24,993 | 35,962 | 45,660 |
| Over one year | – | 684 | 555 | 1,557 |
| **Total** | **21,090** | **25,677** | **36,517** | **47,217** |

As of October 31, 2022, RMB46.0 million, or 97.5% of our inventories outstanding as of June 30, 2022 had been sold or utilized.

**Trade receivables**

Trade receivables are primarily amounts due from third-party platforms in connection with the sales of our products in the ordinary course of business. Our trade receivables are primarily generated from amounts due from third-party platforms that have not been transferred to our account. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. The following table sets forth our trade receivables as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *(in RMB thousands)* | | | |
| Trade receivables | 2,367 | 3,711 | 4,663 | 4,604 |
| Less: allowance for impairment of trade receivables | (49) | (81) | (82) | (110) |
| **Total** | **2,318** | **3,630** | **4,581** | **4,494** |

Our trade receivables increased by 56.6% from RMB2.3 million as of December 31, 2019 to RMB3.6 million as of December 31, 2020, increased by 26.2% from RMB3.6 million to RMB4.6 million as of December 31, 2021 and slightly decreased by 1.9% from RMB4.6

million as of December 31, 2021 to RMB4.5 million as of June 30, 2022. The increase in trade receivables from 2019 to 2021 was in line with our increase in overall sales. Our trade receivables remained relatively stable from December 31, 2021 to June 30, 2022.

Trade receivables turnover days are based on the average balance of trade receivables divided by total revenues for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, our trade receivables turnover days, which primarily reflect turnover of receivables in connection with the sales of our products in connection with the payment we received through third-party platforms, were 1.3 days, 1.0 days, 0.9 days and 0.9 days, respectively. Our trade receivables turnover days remained stable from 2019 to June 30, 2022.

The following table sets forth an aging analysis of our trade receivables based on the invoice date as of the dates indicated.

| | For the year ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *(in RMB thousands)* | | | |
| Within 30 days | 2,367 | 3,711 | 4,663 | 4,604 |

As of October 31, 2022, RMB4.6 million, or 100.0% of our trade receivables outstanding as of June 30, 2022 had been collected.

**Cash and cash equivalents**

Our cash and cash equivalents were RMB83.7 million, RMB257.4 million, RMB656.7 million and RMB576.9 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. The increase in cash and cash equivalents from 2019 to 2020 was mainly due to our drawdown of RMB145.0 million from our banking facility and first tranche funding of US$40 million investment in the form of 2020 Senior Ordinary Shares in 2020, offset by capital expenditures and payment for rental expenses in conjunction with the expansion of our store network. The increase in cash and cash equivalents from 2020 to 2021 was primarily driven by the second tranche funding of 2020 Senior Ordinary Shares, 2021 Senior Ordinary Shares, and equity capital raising in 2021 and the increase in cash inflow generated from operating activities, offset by capital expenditures, payment for rental expenses in conjunction with the expansion of our store network and repayment of our bank borrowing. The decrease in cash and cash equivalent from December 31, 2021 to June 30, 2022 was mainly attributable to our repayment of RMB180.0 million under a bank facility and our borrowing of RMB100.0 million under a newly entered bank facility with a term of three years from the first drawdown.

**Borrowings**

In October 2019, we entered into a term loan agreement with a bank with total facility of RMB210.0 million. As of June 30, 2022, we had repaid the aggregate amount of RMB210.0 million prior to the repayment schedule. In late March of 2022, we entered into a new facility agreement with another bank with total facility of RMB200.0 million, guaranteed by Dash Beijing, for a term of three years from the first drawdown. Our total outstanding borrowings increased from RMB65.0 million as of December 31, 2019 to RMB210.0 million as of December 31, 2020, decreased from RMB210.0 million as of December 31, 2020 to RMB180.0 million as of December 31, 2021 and decreased from RMB180.0 million as of December 31, 2021 to RMB100.0 million as of June 30, 2022. As of December 31, 2019, 2020 and 2021 and June 30, 2022, the amount of unutilised banking facilities was RMB145.0 million, nil, nil and RMB100.0 million, respectively. As of October 31, 2022, we had unutilised banking facilities of RMB100.0 million. Our borrowings reflect our drawdowns of RMB65.0 million in 2019 and RMB145.0 million in 2020, our repayment of RMB30.0 million in 2021 and RMB180.0 million in the six months ended June 30, 2022 under the term loan, and our drawdowns of RMB100 million in the six months ended June 30, 2022. See "– Indebtedness" for more discussion. The table below sets forth our non-current and current borrowings as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *(in RMB thousands)* | | | |
| **Non-current liabilities** | | | | |
| Borrowings | 65,000 | 180,000 | – | 100,000 |
| **Current liabilities** | | | | |
| Borrowings | – | 30,000 | 180,000 | – |
| **Total** | **65,000** | **210,000** | **180,000** | **100,000** |

**Financial liabilities at fair value through profit or loss**

During the Track Record Period, we issued certain convertible Senior Ordinary Shares to Domino's Pizza LLC to fund the expansion of our store network. Upon the Listing, all convertible Senior Ordinary Shares will be automatically converted into ordinary shares. See "History, reorganization and corporate structure" and Note 25 to the Accountant's Report in Appendix I to this document for details of the convertible Senior Ordinary Shares.

**Lease liabilities**

Our lease liabilities are in relation to properties that we lease for our stores, central kitchens and offices. We recognized lease liabilities of RMB485.0 million, RMB629.6 million, RMB681.3 million and RMB735.0 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. The increase in lease liabilities from 2019 to 2020 was primarily attributable to our expansion of store network with 95 new stores opened in 2020. The increase in lease liabilities from 2020 to 2021 was mainly due to our expansion of store network with 105 new stores opened in 2021. The increase in lease liabilities from December 31, 2021 to June 30, 2022 was primarily driven by our expansion of store network with 40 new stores (net of closures) opened in the six months ended June 30, 2022. For further information regarding our lease liabilities, see Note 14 to the Accountant's Report in Appendix I to this document.

**Accruals and other payables**

Our accruals and other payables primarily include (a) payable for share-based compensation, (b) payables for MFA, (c) provision for restoration costs, (d) salary and welfare payables, (e) payables for plant and equipment, (f) accrued expenses, and (g) others, which mainly consist of board meeting expense, tax payable and transportation expense. The following table sets forth a breakdown of our accruals and other payables as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *(in RMB thousands)* | | | |
| **Non-current** | | | | |
| Payables for stock appreciation rights[(1)] | 6,318 | 29,780 | 21,305 | – |
| Payables for MFA[(2)] | 63,220 | – | – | – |
| Provision for restoration costs | 10,924 | 10,417 | 9,944 | 6,891 |
| **Non-current accruals and other payables** | **80,462** | **40,197** | **31,249** | **6,891** |

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *(in RMB thousands)* | | | |
| **Current** | | | | |
| Payables for stock appreciation rights[(1)] | – | – | 7,970 | 2,018 |
| Salary and welfare payables | 63,563 | 82,997 | 114,119 | 103,360 |
| Payables for MFA[(2)] | 12,954 | 68,554 | – | – |
| Payables for plant and equipment | 32,037 | 66,389 | 65,510 | 69,484 |
| Accrued expenses[(3)] | 65,403 | 88,670 | 148,095 | 199,703 |
| Accrued listing expenses | – | – | 8,408 | 7,383 |
| Others[(4)] | 5,134 | 15,681 | 14,263 | 19,671 |
| **Current accruals and other payables** | **179,091** | **322,291** | **358,365** | **401,619** |
| **Total accruals and other payables** | **259,553** | **362,488** | **389,614** | **408,510** |

*Notes:*

(1) Payables for stock appreciation rights represent awards granted by the Group to key employees and directors to encourage them to contribute to the success of the Group and to operate and manage the Group's business in a manner that will provide for the Group's long-term growth and profitability. The awards granted by the Group give the employee the right to receive cash, of which the value is dependent on the appreciation in the Group's equity value between the grant date and the exercise date. Such amount is payable by the Group upon the completion of an IPO.

(2) Payables for MFA represent the payables for the master franchise fee to Domino's Pizza International Franchising Inc.

(3) Accrued expenses include accrued advertising and promotion expenses, accrued information technology expenses, accrued professional service expenses, accrued utilities expenses, accrued store operation expenses and accrued royalty expenses.

(4) Others mainly consist of interest payables, board meeting expense, tax payable and transportation expense.

Our total accruals and other payables were RMB259.6 million, RMB362.5 million, RMB389.6 million and RMB408.5 million as of December 31, 2019, 2020 and 2021 and June 30, 2022. The increase of accruals and other payables from 2019 to 2020 was primarily attributable to (a) the increase in payables for stock appreciation rights primarily as a result of increase in the total equity value of our Group, which resulted in the value appreciation of the stock appreciation rights, (b) the increase in salary and welfare payables mainly due to our increased level of staffing as we expanded our store network, (c) the increase in payables for plant and equipment primarily as a result of the expansion of our store network and (d) the increase in accrued expenses mainly driven by the expansion of our store network and our

increased marketing and promotions in cities where we opened new stores to boost our brand awareness and improve sales. The increase of accruals and other payables from 2020 to 2021 was mainly due to (a) the increase in salary and welfare payables primarily as a result of our increased staffing need as we expand our store network and (b) the increase in accrued expenses mainly driven by the expansion of our store network, our increased marketing and promotions in cities where we opened new stores to boost our brand awareness and improve sales, and our financing activity in December 2021, partially offset by (a) the decrease in payables for stock appreciation rights as a result of the cancellation of stock appreciation rights for certain employees, and (b) the decrease in payables in master franchise fee for our MFA as we made our final payment of the fee in 2021. The increase of accruals and other payables from December 31, 2021 to June 30, 2022 was primarily attributable to (a) the increase in accrued expenses mainly driven by the expansion of our store network, our increased marketing and promotions in cities where we opened new stores to boost our brand awareness and improve sales, (b) the increase in accrued royalty expenses as a result from overseas payment affected by citywide lockdown, and (c) the increase in shipping and storage related expenses in the first half of 2022 as a result of the impact of COVID-19, partially offset by the decrease in payables for stock appreciation rights driven by the cancellation of the vast majority of the remaining stock appreciation rights awards.

As of the Latest Practicable Date, RMB112.7 million, or 56.4% of our accrued expenses as of June 30, 2022 had been subsequently settled.

**Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Our trade payables decreased from RMB84.0 million as of December 31, 2019 to RMB73.7 million as of December 31, 2020, increased from RMB73.7 million as of December 31, 2020 to RMB124.7 million as of December 31, 2021 and increased from RMB124.7 million as of December 31, 2021 to RMB141.8 million as of June 30, 2022. The decrease of trade payables from 2019 to 2020 was primarily due to our prepayments of certain supplies to optimize cost ratio. The increase of trade payables from 2020 to 2021 was primarily due to certain settlement arrangements as of that year end. The increase of trade payables from December 31, 2021 to June 30, 2022 was mainly attributable to the increase in our procurement of raw materials and consumables in the first half of 2022 in conjunction with our improved sales.

Trade payables turnover days are based on the average balance of trade payables divided by cost of raw materials and consumable used for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, our trade payables turnover days were 113.9 days, 92.7 days, 85.1 days and 97.6 days, respectively. Our trade payables turnover days have been steadily decreasing from 2019 to 2021 as we made prepayments for certain raw materials on better price terms to reduce procurement costs. Our trade payable turnover days increased from December 31, 2021 to June 30, 2022 primarily due to the prolonged period for certain suppliers to provide invoices, as they were impacted by the COVID-19 and the relevant government measures in Shanghai during the first half of 2022.

The following table sets forth an aging analysis of trade payables as of the date indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *(in RMB thousands)* | | | |
| Within 3 months | 83,263 | 73,160 | 120,863 | 137,410 |
| Between 4 months to 6 months | 729 | 501 | 3,831 | 734 |
| Over 6 months | – | 82 | 2 | 3,699 |
| **Total** | **83,992** | **73,743** | **124,696** | **141,843** |

As of October 31, 2022, RMB140.1 million, or 98.8% of our trade payables outstanding as of June 30, 2022 had been subsequently settled.

## KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| Current ratio[(1)] | 0.44 | 0.65 | 0.92 | 0.86 | 0.91 |
| Quick ratio[(2)] | 0.38 | 0.61 | 0.88 | 0.82 | 0.85 |
| Gearing ratio[(3)] | 5% | 20% | 19% | 22% | 12% |
| Adjusted EBITDA margin (non-IFRS measure)[(4)] | (4.0%) | (1.6%) | 3.9% | 4.2% | 6.1% |

*Notes:*

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

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

(3) The calculation of gearing ratio is based on total borrowing divided by total equity as of the period end and multiplied by 100%.

(4) The calculation of adjusted EBITDA margin (non-IFRS measure) is based on adjusted EBITDA (non-IFRS measure) divided by our total revenue for the period and multiplied by 100%.

## LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from cash generated from operating activities and other financing activities. As of December 31, 2019, 2020, 2021 and June 30, 2022, our cash and cash equivalents were RMB83.7 million, RMB257.4 million, RMB656.7 million and RMB576.9 million, respectively. As of October 31, 2022, our cash and cash equivalents amounted to RMB440.8 million. Our cash and cash equivalents primarily consist of cash at bank and cash in hand.

The following table sets forth a summary of our cash flows for the periods indicated.

| | For the Year ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *(in RMB thousands)* | | | | |
| | | | | *(Unaudited)* | |
| **Selected Consolidated Cash Flow Data:** | | | | | |
| Net cash generated from operating activities | 124,347 | 103,543 | 332,089 | 157,475 | 167,573 |
| Net cash used in investing activities | (181,228) | (152,408) | (181,740) | (89,464) | (68,142) |
| Net cash (used in)/generated from financing activities | (75,007) | 233,569 | 242,985 | 134,343 | (191,216) |
| **Net (decrease)/increase in cash and cash equivalents** | **(131,888)** | **184,704** | **393,334** | **202,354** | **(91,785)** |
| Cash and cash equivalents at beginning of year | 216,862 | 83,657 | 257,390 | 257,390 | 656,672 |
| Exchange difference on cash and cash equivalents | (1,317) | (10,971) | 5,948 | 1,957 | 12,057 |
| **Cash and cash equivalents at end of year** | **83,657** | **257,390** | **656,672** | **461,701** | **576,944** |

**Operating activities**

Net cash generated from operating activities represents cash generated from operations and income tax paid.

For the six months ended June 30, 2022, net cash generated from operating activities was RMB167.6 million, which consisted primarily of loss before income tax of RMB85.7 million adjusted for certain non-cash and non-operating items. Adjustments for certain non-cash and non-operating items primarily include (a) depreciation of right-of-use assets of RMB91.0 million in connection with the expansion of our store network, (b) depreciation of plant and equipment of RMB56.7 million in connection with the expansion of our store network and (c) finance costs of RMB49.1 million mainly attributable to interest expenses relating to lease liabilities and bank borrowings, as well as guarantee fee. The amount was further adjusted by changes in working capital, including (a) increase in accruals and other payables of RMB32.2 million primarily driven by the expansion of our store network, (b) decrease in prepayments and other receivables of RMB17.5 million as a result of the impact of COVID-19 and (c) increase in trade payables of RMB17.1 million mainly due to the increase in our procurement of raw materials and consumables in the first half of 2022.

For the year ended December 31, 2021, net cash generated from operating activities was RMB332.1 million, which consisted primarily of loss before income tax of RMB478.1 million adjusted for certain non-cash and non-operating items and aggregated income tax paid of RMB6.4 million. Adjustments for certain non-cash and non-operating items primarily include (a) fair value losses on financial liabilities at fair value through profit or loss of RMB201.3 million, (b) depreciation of right-of-use assets of RMB162.0 million in connection with the expansion of our store network, (c) depreciation of plant and equipment of RMB98.7 million in connection with the expansion of our store network, (d) share-based compensation expense of RMB90.8 million in connection with the overall increased total equity value of our Group, (e) financial costs of RMB89.5 million mainly attributable to interest expenses relating to bank borrowings, lease liabilities and guarantee fee and (f) amortization of intangible assets of RMB43.0 million mainly in connection with the MFA. The amount was further adjusted by changes in working capital, including (a) the increase in accruals and other payables of RMB78.5 million and (b) the increase in trade payables of RMB51.0 million and (c) the increase in inventories of RMB10.8 million, primarily driven by the expansion of our store network.

For the year ended December 31, 2020, net cash generated from operating activities was RMB103.5 million, which consisted primarily of loss before income tax of RMB267.7 million adjusted for certain non-cash and non-operating items. Adjustments for certain non-cash and non-operating items primarily include (a) depreciation of right-of-use assets of RMB128.4 million in connection with the expansion of our store network, (b) depreciation of plant and equipment of RMB76.9 million in connection with the expansion of our store network, (c) finance costs of RMB63.1 million mainly attributable to interest expenses relating to bank borrowings, lease liabilities and guarantee fee, (d) amortization of intangible assets of RMB40.2 million mainly in connection with the MFA and (e) share-based compensation of RMB33.2 million primarily in connection with the overall increased total equity value of our Group. The amount was further adjusted by changes in working capital, including (a) increase in accruals and other payables of RMB50.1 million and (b) increase in prepayments and other receivables of RMB26.8 million, primarily driven by the expansion of our store network.

For the year ended December 31, 2019, net cash generated from operating activities was RMB124.3 million, which consisted primarily of loss before income tax of RMB181.6 million adjusted for certain non-cash and non-operating items. Adjustments for certain non-cash and non-operating items primarily include (a) depreciation of right-of-use assets of RMB98.6 million in connection with the expansion of our store network, (b) depreciation of plant and equipment of RMB57.7 million in connection with the expansion of our store network, (c) finance costs of RMB52.6 million mainly attributable to interest expenses relating to lease liabilities and long-term payables, (d) amortization of intangible assets of RMB36.1 million mainly in connection with the MFA and (e) share-based compensation of RMB8.9 million mainly in connection with the overall increased total equity value of our Group. The amount was further adjusted by changes in working capital, including (a) increase in accruals and other payables of RMB42.4 million in connection with the expansion of our store network, which caused salary and welfare payables and accrued store operating expenses to rise, (b) increase in trade payables of RMB25.7 million in relation to certain payment arrangements as of year-end, and (c) increase in prepayments and other receivables of RMB11.7 million.

**Investing activities**

For the six months ended June 30, 2022, net cash used in investing activities was RMB68.1 million, primarily attributable to purchase of plant and equipment of RMB61.2 million and purchase of intangible assets of RMB7.9 million in connection with the expansion of our store network, partially offset by interest received of RMB0.9 million.

In 2021, net cash used in investing activities was RMB181.7 million, primarily attributable to purchase of plant and equipment of RMB170.8 million and purchase of intangible assets of RMB14.0 million in connection with the expansion of our store network partially offset by interest received of RMB1.9 million and proceeds from disposal of plant and equipment of RMB1.2 million.

In 2020, net cash used in investing activities was RMB152.4 million, primarily attributable to purchase of plant and equipment of RMB127.6 million and purchase of intangible assets of RMB30.9 million in connection with the expansion of our store network, partially offset by interest received of RMB1.2 million and proceeds from disposal of plant and equipment of RMB4.9 million.

In 2019, net cash used in investing activities was RMB181.2 million, primarily attributable to purchase of plant and equipment of RMB155.2 million and purchase of intangible assets of RMB27.7 million in connection with the expansion of our store network, partially offset by interest received of RMB1.6 million.

**Financing activities**

For the six months ended June 30, 2022, net cash used in financing activities was RMB191.2 million, primarily attributable to repayment to borrowings of RMB180.0 million in connection with our early repayment of bank borrowing in late March of 2022 and payment of principal and interest element of lease liabilities of RMB96.9 million, partially offset by proceeds from borrowings of RMB100.0 million in connection with our drawdown from the newly entered bank facility.

In 2021, net cash generated from financing activities was RMB243.0 million, primarily attributable to total proceeds from issuance of convertible Senior Ordinary Shares of RMB316.7 million and total proceeds from issuance of ordinary shares of RMB260.7 million, both of which were in connection with our financing in 2021. Net cash generated from financing activities for the year ended December 31, 2021 was partially offset by repayment of bank loan principal and interest of RMB44.6 million and payment of principal and interest element of lease liabilities of RMB195.7 million, as well as our final installment payment of the master franchise fee of RMB76.5 million in connection with the MFA.

In 2020, net cash generated from financing activities was RMB233.6 million, primarily attributable to the total proceeds from issuance of convertible Senior Ordinary Shares of RMB282.8 million in connection with our financing in 2020 and the proceeds from borrowings of RMB145.0 million, partially offset by the principal and interest elements of lease payments of RMB149.8 million.

In 2019, net cash used in financing activities was RMB75.0 million, primarily attributable to the payment of principal and interest elements of lease payments of RMB118.4 million, partially offset by the proceeds from borrowings of RMB65.0 million.

## INDEBTEDNESS

The following table sets forth the details of our indebtedness as of the dates indicated:

| | As of December 31, | | | As of June 30, | As of October 31, |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2022 |
| | *(in RMB thousands)* | | | | |
| | | | | | *(Unaudited)* |
| Borrowings | 65,000 | 210,000 | 180,000 | 100,000 | 100,000 |
| Lease liabilities | 484,994 | 629,581 | 681,324 | 735,022 | 777,158 |
| Convertible Senior Ordinary Shares | – | 275,077 | 784,426 | 826,886 | 884,866 |

As of December 31, 2019, 2020 and 2021, June 30, 2022 and October 31, 2022, we did not have any material contingent liabilities.

### Borrowings

In October 2019, we entered into a term loan agreement with total facility of RMB210.0 million. We issued ordinary shares to one of our shareholders who served as the guarantor of our borrowings under the term loan. The guarantee fee for bank borrowings was booked under finance costs, net. For details, see "– Major Components of our results of operations – Finance costs, net". The following table sets forth our borrowings as of December 31, 2019, 2020 and 2021, June 30, 2022 and October 31, 2022, being the most recent practicable date for the purposes of the indebtedness statement.

| | As of December 31, | | | As of June 30, | As of October 31, |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2022 |
| | *(in RMB thousands)* | | | | |
| | | | | | *(Unaudited)* |
| **Borrowings included in current liabilities:** | | | | | |
| Bank borrowings – secured | – | 30,000 | 180,000 | – | – |
| **Borrowings included in non-current liabilities:** | | | | | |
| Bank borrowings – secured | 65,000 | 180,000 | – | 100,000 | 100,000 |
| **Total** | **65,000** | **210,000** | **180,000** | **100,000** | **100,000** |

We recorded borrowings balance of RMB65.0 million, RMB210.0 million, RMB180.0 million and RMB100.0 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, with the effective interest rate of 6.9825% as of December 31, 2019, 2020 and 2021 and 4.85% as of June 30, 2022. We fully repaid the borrowings balance of RMB180.0 million as of December 31, 2021 by the end of March 2022 and, in the same month, secured a lower cost bank credit facility of RMB200.0 million, guaranteed by Dash Beijing, one of our subsidiaries, with a term of three years from the first drawdown to supplement our working capital needs when necessary. As of October 31, 2022, we had bank borrowings of RMB100.0 million, which primarily comprised amounts drawn upon to the credit facility that we entered in March 2022.

**Lease liabilities**

We had total lease liabilities of RMB485.0 million, RMB629.6 million, RMB681.3 million and RMB735.0 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively. As of October 31, 2022, we had lease liabilities of RMB777.2 million. For further information regarding our lease liabilities, see Note 14 to the Accountant's Report in Appendix I to this document.

**Convertible Senior Ordinary Shares**

We issued 8,651,546 and 9,449,473 fully paid convertible Senior Ordinary Shares in 2020 and 2021, respectively. Upon the Listing, all convertible Senior Ordinary Shares will be automatically converted into ordinary shares.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, our convertible Senior Ordinary Shares had fair value of nil, RMB275.1 million, RMB784.4 million and RMB826.9 million, respectively. As of October 31, 2022, our convertible Senior Ordinary Shares had fair value of RMB884.9 million. For further information regarding our convertible Senior Ordinary Shares, see "History, reorganization and corporate structure – Pre-IPO Investments" and Note 25 to the Accountant's Report in Appendix I to this document. All convertible Senior Ordinary Shares are unsecured and unguaranteed.

**No other outstanding indebtedness**

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured as of October 31, 2022, the most recent practicable date for determining our indebtedness.

Our Directors confirmed that we had no material defaults in payment of loans and trade and non-trade payables during the Track Record Period and up to the Latest Practicable Date, and there is no material change in our indebtedness since October 31, 2022 and up to the Latest Practicable Date.

## CONTINGENT LIABILITIES OR GUARANTEES

As of the Latest Practicable Date, we did not have any material contingent liabilities or guarantees.

## CAPITAL EXPENDITURES

Our capital expenditures are primarily incurred for purchase of plant and equipment and purchase of intangible assets. Our capital expenditures were RMB182.8 million in 2019, RMB158.5 million in 2020, RMB184.8 million in 2021 and RMB69.0 million for the six months ended June 30, 2022. The fluctuation is primarily attributable to (a) our purchase of additional plant and equipment in connection with the expansion of our store network, (b) new store decoration and existing store remodeling and refurbishment and (c) our spending on the acquisition and self-development of software and website in connection with the expansion of our store network to improve operational efficiency.

We intend to fund our future capital expenditures with our existing cash balance and proceeds from the Global Offering. See "Future plans and use of proceeds" for more details. We may reallocate the fund to be utilized on capital expenditure and long-term investments based on our ongoing business needs.

## CONTRACTUAL OBLIGATIONS

### Capital commitments

Our capital commitments outstanding as of December 31, 2019, 2020 and 2021 and June 30, 2022 were as follows:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *(in RMB thousands)* | | | |
| Contracted but not provided for | 64,836 | 67,558 | 61,137 | 35,006 |

### Lease commitments

Future minimum short-term and low-value leases payables under non-cancellable operating leases of our Group as of December 31, 2019, 2020 and 2021 and June 30, 2022 were as follows:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *(in RMB thousands)* | | | |
| No later than 1 year | 296 | 663 | 1,042 | 1,102 |

## OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

## MATERIAL RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. We enter into transactions with our related parties from time to time. For a discussion of our related party transactions, see Note 33 to the Accountant's Report in Appendix I to this document.

Our Directors believe that our transactions with the related parties during the Track Record were conducted in the normal course of business and on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

## FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by the Broad of Directors. See Note 3 to the Accountant's Report in Appendix I to this document for a detailed description of our financial risk management.

### Foreign exchange risk

Our businesses are principally conducted in RMB, which exposes us to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. During the Track Record Period, we have not entered into any derivative instruments to hedge our foreign exchange exposures.

### Interest rate risk

Our interest rate risk mainly arises from borrowings, cash and cash equivalents and financial liabilities measured at FVPL. As of June 30, 2022, all of our Group's borrowings are obtained at variable rates and expose our Group to cash flow interest-rate risk. As of December 31, 2019, 2020 and 2021, all of our Group's borrowings were obtained at fixed rates and exposed us to fair value interest rate risk. We do not hedge our cash flow and fair value interest

rate risk. Financial liabilities measured at FVPL expose us to fair value interest rate risk before conversion into ordinary shares. Please refer to Notes 24 and 25 of the Accountant's Report in Appendix I to this document for details of these financial liabilities.

**Credit risk**

Our credit risk mainly arises from cash and cash equivalents, restricted cash, rental and other deposits. The carrying amounts of each financial asset represent our maximum exposure to credit risk in relation to financial assets.

***Risk management***

We have policies in place to ensure that credit terms are made to customers with an appropriate credit history and we perform periodic credit evaluations of our customers.

Our cash and cash equivalents and restricted cash were deposited with high quality financial and other institutions with sound credit ratings. Therefore, we do not expect material losses arising from non-performance by these counterparties.

For rental and other deposits, we sign lease contracts with big department stores and real estate management companies.

We assess that most of the underlying lease contracts grant us, as a lessee, the contractual right to continue occupying the corresponding premises if the landlord does not refund these rental and other deposits at the end of the lease terms pursuant to the terms and conditions set out in the lease contracts. Hence, we do not expect material losses arising from non-performance by these counter parties.

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding. Due to the dynamic nature of the underlying business, we aim at maintaining flexibility in funding by maintaining adequate amount of cash and cash equivalents.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded net current liabilities of RMB209.6 million, RMB202.5 million, RMB65.0 million and RMB64.1 million, respectively. We also generated net cash inflows from operating activities amounting to RMB124.3 million, RMB103.5 million, RMB332.1 million and RMB167.6 million for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. In managing liquidity risks, our Directors have reviewed its cash flow forecast, which covers a period of not less than twelve months from June 30, 2022. In preparing the cash flow forecast, our Directors have considered our Group's capital expenditures plans (including the new stores opening plan in the forecast period), estimated cash flows provided by operations, existing cash on hand and other available source of funds.

Based on the above considerations, our historical performance and management's operating and financing plans, our Directors believe that we will have sufficient working capital to finance our operations and to meet our financial obligations as and when they fall due for not less than the next least twelve months from June 30, 2022.

## DIVIDENDS

As advised by our British Virgin Islands legal advisor, under British Virgin Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business and the value of the Company's assets exceeds its liabilities. As we are a holding company incorporated under the laws of the British Virgin Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

Dividend distribution to our shareholders is recognized as a liability in our financial statements in the period in which the dividends are approved by our Board. During the Track Record Period, we did not distribute or declare any dividends. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the BVI Business Companies Act. In addition, our Directors may from time to time pay such interim dividends on shares of our Company outstanding and authorize payment of the same out of the funds of our Company lawfully available.

## WORKING CAPITAL SUFFICIENCY CONFIRMATION

Taking into account cash on hand and cash at banks, cash generated from operating activities, secured revolving credit facility from a bank in China and the estimated net proceeds we expect to receive from the Global Offering, our Directors are of the view that we will have available sufficient working capital to meet our present requirements and for at least the next twelve months from the date of this document.

## DISTRIBUTABLE RESERVES

As of June 30, 2022, we did not have any distributable reserves.

## LISTING EXPENSES

Our listing expenses mainly comprise professional fees paid and payable to the professional parties for their services rendered in relation to the Listing and the Global Offering. Based on the mid-point of the Offer Price of HK$48.0 per share, the total estimated listing expenses in relation to the Global Offering are approximately HK$88.6 million, assuming the Over-allotment Option is not exercised, comprising (i) underwriting-related expenses of approximately HK$17.9 million, including commissions and fees; and (ii) non-underwriting related expenses of approximately HK$70.7 million, including (a) fees and expenses of legal advisors and the Reporting Accountant of approximately HK$40.6 million; and (b) other fees and expenses of approximately HK$30.2 million. Out of the total listing expenses, approximately HK$29.7 million has been charged to our consolidated statements of comprehensive income prior to June 30, 2022. We estimate approximately HK$35.1 million will be charged to our consolidated statements of comprehensive income and the remaining balance of approximately HK$23.8 million is expected to be accounted for as a deduction from equity upon the completion of the Global Offering. Our listing expenses account for 16.3% of the gross proceeds from this offering, as calculated using the mid-point of the Offer Price.

## UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS ATTRIBUTABLE TO OWNERS OF OUR COMPANY

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2022 and based on the audited consolidated net tangible assets attributable to equity holders of our Company as of June 30, 2022 as shown in the Accountant's Report, the text of which is set out in Appendix I to this document, and adjusted as described below.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of us had the Global Offering been completed as of June 30, 2022 or at any future dates.

| | **Audited consolidated net tangible assets of our Group attributable to owners of our Company as of June 30, 2022** *RMB'000* *(Note 1)* | **Estimated net proceeds from the Global Offering** *RMB'000* *(Note 2)* | **Estimated impact on the conversion of convertible Senior Ordinary Shares** *RMB'000* *(Note 3)* | **Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company as of June 30, 2022** *RMB'000* | **Unaudited pro forma adjusted consolidated net tangible assets per Share** *RMB* *(Note 4)* | *HK$* *(Note 5)* |
|---|---|---|---|---|---|---|
| Based on an Offer Price of HK$46.0 per share | (390,727) | 417,514 | 826,886 | 853,673 | 6.74 | 7.50 |
| Based on an Offer Price of HK$50.0 per share | (390,727) | 456,706 | 826,886 | 892,865 | 7.05 | 7.84 |

*Notes:*

(1) The audited consolidated net tangible assets of our Group attributable to the owners of our Company as of June 30, 2022 is extracted from the Accountant's Report set out in Appendix II to this document, which is based on the audited consolidated net assets of our Group attributable to the owners of our Company as of June 30, 2022 of RMB851,251,000 with adjustments for the intangible assets as at June 30, 2022 of RMB1,241,978,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$46.0 and HK$50.0 per share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB26,895,000 which have been accounted for during the Track Record Period) paid/payable by our Company and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option, exercise of options or awards granted under the Share Incentive Plans or any Shares which may be issued or repurchased by our Company pursuant to the general mandates.

(3) All convertible Senior Ordinary Shares will be automatically converted into fully-paid ordinary share on a one-for-one basis upon completion of the Global Offering. The convertible Senior Ordinary Shares were accounted for as a liability to our Group. Accordingly, for the purpose of the unaudited pro forma adjusted consolidated net tangible assets, the adjustment represents the impact of the conversion of all convertible Senior Ordinary Shares Into ordinary shares. The estimated impact is RMB826,886,000, being the carrying amount of the convertible Senior Ordinary Shares as of June 30, 2022.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 126,632,708 Shares were in issue assuming that the Global Offering have been completed on June 30, 2022 (including the shares granted pursuant to the restricted share unit plan (the "**RSU plans**") prior to June 30, 2022 that are vested prior to or to be vested upon the completion of the Global Offering) but excludes (i) 316,088 shares issued subsequent to June 30, 2022, (ii) cash bonus to be paid to certain senior management and employees after the Global Offering pursuant to the cash bonus plan approved by the board of the Company subsequent to June 30, 2022, (iii) share appreciation plan approved by the board of the Company subsequent to June 30, 2022, (iv) any Shares which may fall to be issued upon the exercise of the Over-allotment Option, exercise of options or awards granted under the Share Incentive Plans and (v) any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

The 316,088 shares mentioned in (i) above are excluded since the issuance of these shares is not directly attributable to the Global Offering.

The cash bonus mentioned in (ii) above and the share appreciation plan mentioned in (iii) above are excluded since the grantees are only entitled to such shares and bonus after the Global Offering.

However, had such (i) 316,088 shares issued subsequent to June 30, 2022 been taken into account, such that 126,948,796 shares are in issue immediately following the completion of the Global Offering, and assuming the cash bonus mentioned in (ii) above in paid immediately upon the Global Offering, the unaudited pro forma adjusted net tangible assets per Share would have been RMB6.60 (equivalent to HK$7.34) and RMB6.87 (equivalent to HK$7.64) based on the Offer Price of HK$46.0 per Share and HK$50.0 per Share, respectively.

(5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of RMB0.8993 to HK$1.00. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to June 30, 2022.

## NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2022, which is the end date of the periods reported on in the Accountant's Report included in Appendix I to this document, and there is no event since June 30, 2022 that would materially affect the information as set out in the Accountant's Report included in Appendix I to this document.

## DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

## FUTURE PLANS

See "Business – Our growth strategies" for a detailed description of our future plans.

## USE OF PROCEEDS

Assuming an Offer Price of HK$48.0 per Share (being the mid-point of the Offer Price range of between HK$46.0 and HK$50.0 per Share), we estimate that we will receive net proceeds of approximately HK$456 million from the Global Offering after deducting the underwriting commissions and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised.

In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- Approximately 90% of the net proceeds, or HK$411 million, will be used over the next two years to expand our store network. In the past few years, China's pizza market has experienced robust growth, with its total market size growing from RMB22.8 billion in 2016 to RMB33.5 billion in 2019, representing a CAGR of 13.7%, according to the Frost & Sullivan Report. Although the size of the China pizza market fell slightly to RMB30.5 billion in 2020 as a result of the impact of the COVID-19 pandemic, China's pizza market is expected to regain momentum in 2021 and continue to expand in 2022 and beyond, with its market size expected to grow from RMB36.4 billion in 2021 to RMB68.9 billion in 2026, representing a CAGR of 13.6%. There is significant whitespace in the China pizza market, which remains underpenetrated compared to countries with similar food cultures. For example, in 2021, there were only 10.9 pizza stores per million people in China, as compared to 28.1 and 28.3 in Japan and South Korea, respectively, according to the Frost & Sullivan Report. In light of this significant market opportunity, we believe our focused business model makes us well-positioned to capitalize on the fast-growing China pizza market, with our established brand awareness contributing to drive long-term growth. We will both deepen our penetration in existing cities and expand our presence to new cities. We will focus on opening stores in China's Tier 1, New Tier 1 and Tier 2 cities, which have significant whitespace for growth, according to the Frost and Sullivan Report. Specifically, we plan to open approximately 120 and 180 new stores in 2022 and 2023 respectively, primarily in cities close to our three existing central kitchens located in Northern China, Eastern China and Southern China, as well as where our new central kitchens will be established. For details of our planned store network expansion, see "Business – Our growth strategies – Rapidly increase the number of our stores" and "Business – Our Domino's Pizza store network – Growth of our store network".

We therefore plan to use 90% of the net proceeds over the next few years to expand our store network by funding the initial capital expenditure of our new stores, which is approximately RMB1.5 million per store. This initial capital expenditure primarily includes the design, renovation and decoration for the new stores. The table below sets out the expected capital expenditures for store openings in 2023 and 2024 that we intend to fund by utilizing the proceeds of the Global Offering:

| Year | Number of stores | Estimated investment amount *(HK$ in millions)* | Percentage of net proceeds |
|---|---|---|---|
| 2023 | 180 | 300 | 65.8% |
| 2024 | 66* | 110 | 24.2% |
| **Total** | **246** | **410** | **90.0%** |

* Only consists of new store openings we plan to fund by utilizing the proceeds of the Global Offering.

The table below sets out the expected use of these initial capital expenditures by usage, based on historical amounts:

| Usage | Percentage of initial capital expenditures |
|---|---|
| Design and construction | 30% |
| Procurement and installation of kitchen equipment and air conditioners | 46% |
| Procurement of computers and related IT software | 7% |
| Others | 17% |
| **Total** | **100%** |

- The remaining balance of approximately 10% of the net proceeds, or HK$46 million, will be used for general corporate purposes.

We estimate that we will receive from the Global Offering net proceeds, after deducting the underwriting fees and estimated expenses payable by us in connection with the Global Offering, in the amount as set out in the following table:

| | **Based on the low-end of the proposed Offer Price range of HK$46.0** | **Based on the middle-end of the proposed Offer Price range of HK$48.0** | **Based on the high-end of the proposed Offer Price range of HK$50.0** |
|---|---|---|---|
| Assuming the Over-allotment Option is not exercised | Approximately HK$434 million | Approximately HK$456 million | Approximately HK$478 million |
| Assuming the Over-allotment Option is exercised in full | Approximately HK$510 million | Approximately HK$535 million | Approximately HK$560 million |

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we may adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we will only place such funds as short-term deposits with licensed banks and/or authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws of the PRC). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

## HONG KONG UNDERWRITERS

Merrill Lynch (Asia Pacific) Limited
DBS Asia Capital Limited

## UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The Company expects the International Offering to be fully underwritten by the International Underwriters. The Hong Kong Underwriters and the International Underwriters are the Syndicate Capital Market Intermediaries. If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 1,135,000 Hong Kong Public Offer Shares and the International Offering of initially 10,215,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" in this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### Hong Kong Public Offering

#### *Hong Kong Underwriting Agreement*

The Hong Kong Underwriting Agreement was entered into on December 12, 2022. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Public Offer Shares for subscription on the terms and conditions set out in this prospectus, the Green Application Form and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus, on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Public Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Green Application Form and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

***Grounds for Termination***

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) may, by giving notice (in writing) to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect:

(a) there shall develop, occur, exist or come into effect:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation, adverse mutation or aggravation of diseases, strikes, labour disputes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, calamity, public disorder, acts of war (whether declared or not), outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed), economic sanctions, paralysis in government operations, interruptions or delay in transportation) in or affecting the British Virgin Islands, Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to the Group (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the PRC, the European Union (or any member thereof) or any of the other Relevant

Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(v) any new Law, or any change or development involving a prospective change in (or in the interpretation or application by any court or other competent Authority of) existing Laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, under any sanction Laws, or regulations in, Hong Kong, the PRC or any other Relevant Jurisdiction; or

(vii) any change or development involving a prospective change or amendment in or affecting taxation (as defined in the Hong Kong Underwriting Agreement) or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares; or

(viii) other than with the prior written consent of the Sole Overall Coordinator and the Sole Sponsor, the issue by the Company of any supplement or amendment to this prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of the Offer Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(ix) an order or petition for the winding up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(x) any litigation, dispute, legal action or claim or regulatory or administrative investigation or acting being threatened or instigated against any member of the Group or any Director; or

(xi) there is the commencement by any governmental, political or regulatory body of any investigation or other action against any Director in his or her capacity as such or the Company or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action; or

(xii) any contravention by any member of the Group or any Director of the Listing Rules or applicable Laws; or

(xiii) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws, or

(xiv) the chairman of the Board or any executive Director vacating his or her office,

which, individually or in the aggregate, in the sole opinion of the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters):

(1) constitutes or will likely constitute a material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group taken as a whole ("**Material Adverse Change**"); or

(2) has or will have or is likely to have a material adverse effect on the success of the Global Offering; or

(3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed on the terms and in the manner contemplated by the Offer Related Documents (as defined below); or

(4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms in any material respect or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Overall Coordinator that:

(i) any statement contained in this prospectus, the Green Application Form, the formal notice in connection with the Hong Kong Public Offering and/or in any notices, announcements, advertisements, communications with the Stock Exchange, the SFC, the Sole Sponsor or the Sole Sponsor-Overall Coordinator, the Sole Overall Coordinator or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering, including any supplement or amendment thereto but excluding information furnished in writing to the Company by or on behalf of any Underwriter (for the purposes

of the Hong Kong Underwriting Agreement, the only information furnished in writing to the Company by or on behalf of any Underwriter is the name, address and logo, to the extent applicable, of such Underwriter) (collectively, the "**Offer Related Documents**") was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Offer Related Documents; or

(iii) there is a material breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the warranties given by the Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or

(iv) there is an event, act or omission which gives or is likely to give rise to any liability of the Indemnifying Party pursuant to the indemnities given by any of them in the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(v) there is any Material Adverse Change; or

(vi) there is a material breach of any of the obligations imposed on the Company by the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any amendment thereto), as applicable; or

(vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) any person (other than the Sole Sponsor) has withdrawn or is subject to withdrawing its consent to being named as an expert in this prospectus or to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) therein; or

(ix) the Company withdraws any of the Offer Related Documents or the Global Offering; or

(x) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or

(xi) any Director being charged with an indictable offense or prohibited by operation of Law or otherwise disqualified from taking part in the management or taking directorship of a company; or

(xii) there is an order or petition for the winding-up of the Company or any major subsidiary of the Company (as set out in the History, Reorganization and Corporate Structure section) or any composition or arrangement made by the Company or any major subsidiary of the Company with its creditors or a scheme of arrangement entered into by the Company or any major subsidiary of the Company or any resolution for the winding-up of any member of the Company or any major subsidiary of the Company or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of the Company or any major subsidiary of the Company or anything analogous thereto occurring in respect of the Company or any major subsidiary of the Company.

## LOCK UP ARRANGEMENTS

***Undertakings to the Stock Exchange pursuant to the Listing Rules***

*(A) Undertakings by the Company*

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering (including the Over-allotment Option); or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

*(B) Undertakings by the Controlling Shareholders*

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, except pursuant to (a) the Global Offering (including the Over-allotment Option), or (b) the Stock Borrowing Agreement and arrangements relating thereto, it will not and will procure that the relevant registered holder(s) will not without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirement of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of its shareholdings in the Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of the Company in respect of which it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months from the expiry of the First Six-Month Period, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, within the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will and will procure that the relevant registered holder(s) will:

(i) when it pledges or charges any securities of the Company beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07 of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and

(ii) when it receives indications, either verbal or written, from the pledgee or chargee of any securities of the Company that any of the pledged or charged securities will be disposed of, immediately inform the Company of such indications.

The Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (i) and (ii) above by the Controlling Shareholders and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

***Undertakings by the Company pursuant to the Hong Kong Underwriting Agreement***

The Company has undertaken to each of the Sole Sponsor-Overall Coordinator, the Sole Overall Coordinator, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Sponsor and the Sole Overall Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the last date of the First Six-Month Period, except for (i) the issue, offer and sale of the Offer Shares pursuant to the Global Offering, including pursuant to the exercise of the Over-allotment Option, (ii) the grant of awards and the issue of Shares pursuant to the Share Incentive Plans, and (iii) the issue of any Shares pursuant to any capitalization issue, capital reduction or consolidation or sub-division of the shares:

(a) offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company or any interest in any of the foregoing), or deposit any Shares or other equity securities of the Company with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other equity securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company or any interest in any of the foregoing); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) and (b) above; or

(d) offer to or contract to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other equity securities of the Company or in cash or otherwise (whether or not the issue of such Shares or equity securities will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

***Undertakings by Controlling Shareholders pursuant to Lock-up Undertaking***

Pursuant to a letter agreement dated December 12, 2022, each of the Controlling Shareholders has undertaken to the Company, the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) that, without the prior written consent of the Company, the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) except for any lending of Shares by Good Taste Limited pursuant to the Stock Borrowing Agreement, it/he will not, at any time during the period commencing on the date of the letter agreement and ending on, and including, the last date of the First Six-Month Period:

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) held by or beneficially owned by the Controlling Shareholders as of the Listing Date (the "**Locked-up Shares**"), or deposit the Locked-up Shares with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Locked-up Shares; or

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraphs (a)(i), (a)(ii) or (a)(iii) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(b) it/he will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraphs (a)(i), (a)(ii) or (a)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company;

(c) until the expiry of the Second Six-Month period, in the event that it/he enters into any of the transactions specified in paragraphs (a)(i), (a)(ii) or (a)(iii) above or offer to or agrees to or announce any intention to effect any such transaction, it/he will take all reasonable steps to ensure that it/he will not create a disorderly or false market in the securities of the Company; and

(d) at any time during after the date of the letter agreement up to and including the date falling 12 months after the Listing Date, it/he will:

(i) if and when it/he or the relevant registered holder(s) pledges or charges any Shares or other securities of the Company beneficially owned by it/him in favour of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), immediately inform the Company, the Sole Sponsor and the Sole Overall Coordinator in writing of such pledge or charge together with the number of Shares or other securities (or interests therein) of the Company so pledged or charged; and

(ii) if and when it or the relevant registered holder(s) receives indications, either verbal or written, from any such pledgee or chargee that any of such pledged or charged Shares or other securities (or interests therein) of the Company will be disposed of, immediately inform the Company, the Sole Sponsor and the Sole Overall Coordinator in writing of such indications.

For the avoidance of doubt, the lock-up undertakings by the Controlling Shareholders referred to above shall not:

(a) apply to Shares acquired by the Controlling Shareholders subsequent to the completion of the Global Offering; or

(b) prevent the Controlling Shareholders from using, pledging, charging or subsisting any Encumbrance over, any of the Shares beneficially owned by it/him as security in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a *bona fide* commercial loan, provided that (i)

the Controlling Shareholders immediately informs the Company, the Sole Sponsor and the Sole Overall Coordinator of such pledge or charge together with the number of Shares so pledged or charged, and (ii) when the Controlling Shareholder receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company, the Sole Sponsors and the Sole Overall Coordinator of such indications.

***Undertakings by Our Existing Shareholders pursuant to Lock-up Undertakings***

Certain existing Shareholders of the Company, including (i) Shareholders who are our Directors and senior management, (ii) Shareholders each holding 1% or more of the total issued share capital of the Company as of the date of this prospectus and (iii) certain other Shareholders, with an aggregate shareholding of approximately 95.67% in the Company as of the date of this prospectus and approximately 87.11% upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) (each an "**Existing Shareholder**" and together the "**Existing Shareholders**") has entered into deeds of lock-up undertakings (each a "**Shareholder Lock-up Deed**" and together the "**Shareholder Lock-up Deeds**"). Pursuant to the Shareholder Lock-up Deeds, which are in largely similar form except for certain special circumstances, each of the Existing Shareholders has undertaken to the Company, the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) that at any time during the period commencing on the date of the Shareholder Lock-up Deeds or this prospectus (as the case may be) and ending on, and including, the last date of the First Six-Month Period, it will not:

(a) offer, pledge, charge, sell, contract or agree to sell, mortgage, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase or subscribe for, purchase any option, warrant, contract or right to sell, make any short sale or otherwise transfer or dispose of or create any other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company) which are owned by the Existing Shareholder as of the Listing Date (the "**Shareholder's Locked-up Securities**");

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Shareholder's Locked-up Securities;

(c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or

(d) offer to or contract to or agree to or publicly disclose any intention that it will or may enter into any transaction described in paragraphs (a), (b) or (c) above,

in each case, whether any such transaction described in paragraphs (a), (b) or (c) above is to be settled by delivery of such Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the First Six-Month Period).

For the avoidance of doubt, the lock-up undertakings by the Existing Shareholders shall not apply to any Shares acquired by the Existing Shareholders following the completion of the Global Offering.

***Hong Kong Underwriters' Interests in the Company***

Save for their respective obligations under the Hong Kong Underwriting Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

**International Offering**

***International Underwriting Agreement***

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreement with the International Underwriters on or around the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See "Structure of the Global Offering – The International Offering".

***Over-allotment Option***

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Overall Coordinator on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to allot and issue up to an aggregate of 1,702,500 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See "Structure of the Global Offering – Over-allotment Option".

***Commissions and Expenses***

The Syndicate Capital Market Intermediaries will receive an underwriting commission of 3% of the aggregate offer price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Syndicate Capital Market Intermediaries may receive a discretionary incentive fee of up to 1% of the aggregate offer price of all the Offer Shares to be issued by the Company under the Global Offering (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

Assuming full payment of the discretionary fees, the fixed fees and the discretionary fees payable to the Syndicate Capital Market Intermediaries represent approximately 56.25% and 43.75%, respectively, of the aggregate fees payable to the Syndicate Capital Market Intermediaries in total in connection with the Global Offering.

For any unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable by the Company to the Syndicate Capital Market Intermediaries in relation to the Global Offering (assuming an indicative offer price of HK$48.0 per Offer Share (which is the mid-point of the Offer Price Range) and the full payment of the discretionary incentive fee) will be approximately HK$21.8 million representing approximately 4% of the estimated gross proceeds from the Global Offering assuming the Over-allotment Option is not exercised, or approximately HK$25.1 million representing approximately 4% of the estimated gross proceeds from the Global Offering assuming the Over-allotment Option is exercised in full.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the

Global Offering are estimated to be approximately HK$88.6 million (assuming an indicative offer price of HK$48.0 per Offer Share (which is the mid-point of the Offer Price Range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) and will be paid by the Company, save for certain expenses of up to US$850,000 which will be reimbursed to the Company by the International Underwriters.

**Indemnity**

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

## ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to our assets, securities and/or instruments and/or persons and entities with relationships with us and may also include swaps and other financial instruments entered into for hedging purposes in connection with our loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering". Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

- the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to us and certain of our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of the Offer Shares in the Global Offering.

## THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The listing of the Shares on the Main Board of the Stock Exchange is sponsored by the Sole Sponsor. The Sole Sponsor has made an application on behalf of the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

11,350,000 Offer Shares will initially be made available under the Global Offering comprising:

- the Hong Kong Public Offering of initially 1,135,000 Offer Shares (subject to reallocation) in Hong Kong as described in "– The Hong Kong Public Offering" below; and

- the International Offering of initially 10,215,000 Offer Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in the subsection headed "The International Offering" below.

Investors may either (i) apply for Hong Kong Public Offer Shares under the Hong Kong Public Offering; or (ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 8.94% of the total Shares in issue immediately following the completion of the Global Offering. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 10.15% of the total Shares in issue immediately following the completion of the Global Offering.

References in this prospectus to applications, Green Application Form, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

## THE HONG KONG PUBLIC OFFERING

### Number of Offer Shares initially offered

The Company is initially offering 1,135,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.9% of the total Shares in issue immediately following the completion of the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "– Conditions of the Global Offering" below.

### Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

For allocation purposes only, the total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally into two pools: pool A and pool B with any odd lots being allocated to pool A. The Hong Kong Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Public Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 567,500 Hong Kong Public Offer Shares is liable to be rejected.

**Reallocation**

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 3,405,000 Offer Shares (in the case of (a)), 4,540,000 Offer Shares (in the case of (b)) and 5,675,000 Offer Shares (in the case of (c)), representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Overall Coordinator deems appropriate. In addition, the Sole Overall Coordinator may allocate Offer Shares from the International Offer Shares to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Sole Overall Coordinator may reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Sole Overall Coordinator deems appropriate.

The Sole Overall Coordinator may, at its discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering in accordance with Guidance Letter HKEX-GL-91-18. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Public Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering provided that the Offer Price would be set at HK$46.0 (low-end of the Offer Price Range), up to 1,135,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 2,270,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

**Applications**

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he/she has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price in addition to the brokerage, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$5,050.40 for one board lot of 100 Offer Shares. If the Offer Price, as finally determined in the manner described in "– Pricing and Allocation" below, is less than the Maximum Offer Price, appropriate refund payments (including the brokerage, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to apply for Hong Kong Public Offer Shares".

## THE INTERNATIONAL OFFERING

### Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 10,215,000 Shares offered by the Company, representing 90.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 8.05% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-Allotment Option is not exercised).

### Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the subsection headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Sole Overall Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Overall Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

### Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "– The Hong Kong Public Offering – Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

## OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Overall Coordinator (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Overall Coordinator (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 1,702,500 Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 1.32% of the total Shares in issue immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

## STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in clauses (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Sunday, January 15, 2023, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

### Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

## STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may choose to borrow up to 1,702,500 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Good Taste Limited, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager and Good Taste Limited on or about the Price Determination Date.

The same number of Shares so borrowed must be returned to Good Taste Limited or their nominees, as the case may be, on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Good Taste Limited by the Stabilizing Manager (or any person acting for it) in relation to such Shares borrowing arrangement.

## PRICING AND ALLOCATION

### Determining the Pricing of the Offer Shares

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be determined on the Price Determination Date, which is expected to be on or about Friday, December 16, 2022 and, in any event, no later than Thursday, December 22, 2022, by agreement between the Sole Overall Coordinator (on behalf of the Underwriters) and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$50.0 per Offer Share and is expected to be not less than HK$46.0 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$5,050.40 for one board lot of 100 Offer Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Minimum Offer Price stated in this prospectus**.

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered below and/or the Offer Price Range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of the Company and the Stock Exchange at **www.dpcdash.com** and **www.hkexnews.hk**, respectively, notices of the reduction. The Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require investors who had applied for the Hong Kong Public Offer Shares to positively confirm their applications for Offer Shares in light of the change in the number of Offer Shares and/or the Offer Price. Upon the issue of such a notice and supplemental prospectus, the revised number of Offer Shares and/or the Offer Price Range will be final and conclusive and the Offer Price, if agreed upon by the Sole Overall Coordinator (on behalf of the Hong Kong Underwriters) and our Company, will be fixed within such revised Offer Price Range.

Before submitting applications for the Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or Offer Price Range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Overall Coordinator (on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

**Announcement of Final Pricing of the Offer Shares**

The final pricing of the Offer Shares, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Public Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in "How to apply for Hong Kong Public Offer Shares – Publication of results".

## UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Sole Overall Coordinator (on behalf of the Underwriters) and the Company agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in "Underwriting".

## CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

- the pricing of the Offer Shares having been agreed between the Sole Overall Coordinator (on behalf of the Underwriters) and the Company;

- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator (on behalf of the Underwriters) and the Company on or before Thursday, December 22, 2022, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company on the websites of the Company and the Stock Exchange at **www.dpcdash.com** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to apply for Hong Kong Public Offer Shares – Refund of application monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Friday, December 23, 2022, provided that the Global Offering has become unconditional in all respects at or before that time.

## DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. on Friday, December 23, 2022, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, December 23, 2022.

The Shares will be traded in board lots of 100 Shares each and the stock code of the Shares will be 1405.

## NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE SFC CODE OF CONDUCT

**Important Notice to CMIs (including private banks)**

This notice to capital market intermediaries ("**CMIs**") (including private banks) is a summary of certain obligations the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**Code**") imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMI may also be acting as the Sole Overall Coordinator for this offering and is subject to additional requirements under the Code.

Paragraph 21.3.3(c) of the Code requires that a CMI should take all reasonable steps to identify whether investors may have any associations with the Company and provide sufficient information to the Sole Overall Coordinator to enable it to assess whether orders placed by these investors may negatively impact the price discovery process.

Prospective investors who are the directors, employees or major shareholders of the Company, a CMI or its group companies would be considered under the Code as having an association ("**Association**") with the Company, the CMI or the relevant group company (as the case may be). CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Offer Shares. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Company or any CMI (including its group companies) and inform the Underwriters accordingly.

Prospective investors to whom the allocation of Offer Shares will be subject to restrictions or require prior consent from the Stock Exchange under the Listing Rules and other regulatory requirements or guidance issued by the Stock Exchange from time to time (the "**Stock Exchange Requirements**") (e.g. a connected person of a listed issuer) would be considered as "**Restricted Investors**". Offer Shares may only be allocated to Restricted Investors in accordance with applicable Stock Exchange Requirements. CMIs should specifically disclose whether their investor clients are Restricted Investors when submitting orders for the Offer Shares.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, long-only investors, sovereign wealth funds, pension funds, hedge funds, in each case, subject to the applicable Stock Exchange Requirements (in the case of a Stock Exchange listed issuer) and selling restrictions set out elsewhere in this prospectus.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Offer Shares (except for omnibus orders where underlying investor information

should be provided to the Sole Overall Coordinator when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Company. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Offer Shares.

The Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Underwriters in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Offer Shares, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Private banks who disclose that they are placing their order other than on a "principal" basis (i.e. they are acting as an agent) should note that such order may be considered to be an omnibus order pursuant to the Code. Private banks should be aware that if any of their group companies is a CMI of this offering, placing an order on a "principal" basis may require the Underwriters to apply the "proprietary orders" of the Code to such order and will require the Underwriters to apply the "rebates" requirements of the Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) are requested to provide the underlying investor information, preferably in Excel Workbook format, in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to the Sole Overall Coordinator; (B) that they have obtained the necessary consents from the underlying investors to disclose such information to the Sole Overall Coordinator. By submitting an order and providing such information to the Sole Overall Coordinator, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by the Sole Overall Coordinator and/or any other third parties as may be required by the Code, including to the Company, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in

this offering. The Underwriters may be asked to demonstrate compliance with their obligations under the Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Underwriter with such evidence within the timeline requested.

**Important Notice to Prospective Investors**

Prospective investors should be aware that certain intermediaries in the context of this offering of the Offer Shares, including certain Underwriters, are CMIs subject to Paragraph 21 of the Code. This notice to prospective investors is a summary of certain obligations the Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMI may also be acting as the Sole Overall Coordinator for this offering and is subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Company, a CMI or its group companies would be considered under the Code as having an Association with the Company, the CMI or the relevant group company (as the case may be). Prospective investors associated with the Company or any CMI (including its group companies) should specifically disclose this when placing an order for the Offer Shares and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors to whom the allocation of Offer Shares will be subject to restrictions or require prior consent from the Stock Exchange under the Stock Exchange Requirements (e.g. a connected person of a listed issuer) would be considered as "Restricted Investors". Offer Shares may only be allocated to Restricted Investors in accordance with applicable Stock Exchange Requirements. Prospective investors who are Restricted Investors should specifically disclose whether they are Restricted Investors when placing an order for the Offer Shares. Prospective investors who do not disclose they are Restricted Investors are hereby deemed not to be Restricted Investors.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Underwriter, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Underwriter or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective

investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". If a prospective investor is otherwise affiliated with any Underwriter, such that its order may be considered to be a "proprietary order" (pursuant to the Code), such prospective investor should indicate to the relevant Underwriter when placing such order and such orders will be subject to applicable requirements in accordance with the Code. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Underwriters and/or any other third parties as may be required by the Code, including to the Company, the Sole Overall Coordinator, relevant regulators and/or any other third parties as may be required by the Code, it being understood and agreed that such information shall only be used for the purpose of complying with the Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

**IMPORTANT NOTICE TO INVESTORS:**
**FULLY ELECTRONIC APPLICATION PROCESS**

**We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.**

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

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Public Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Public Offer Shares by the public.

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

## A. APPLICATIONS FOR HONG KONG PUBLIC OFFER SHARES

### 1. How to Apply

We will not provide any printed application forms for use by the public.

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

(1) apply online through the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

  (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Public Offer Shares on your behalf; or

  (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request form.

If you apply through channel (1) above, the Hong Kong Public Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Public Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Overall Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

## 2. Who Can Apply

***Eligibility for the Application***

You can apply for Hong Kong Public Offer Shares if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not legal or natural person of the PRC (except qualified domestic institutional investors).

If an application is made by a person under a power of attorney, the Company and the Sole Overall Coordinator, as the Company's agents, may accept it at the Company's or their discretion, and on any conditions the Company or they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if:

- you are an existing beneficial owner of the Shares in the Company and/or a substantial shareholder of any of the Company's subsidiaries;
- you are a Director or chief executive of the Company and/or a director or chief executive officer of any of its subsidiaries;
- you are a close associate (as defined in the Listing Rules) of any of the above persons; or
- you have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

*Items Required for the Application*

If you apply for Hong Kong Public Offer Shares online through the **White Form eIPO** service, you must:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Public Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

## 3. Terms and Conditions of an Application

By applying through the application channels specified in this prospectus, you:

- undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Overall Coordinator (or their agents or nominees), as the Company's agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with the Articles of Association of the Company and the Companies (WUMP) Ordinance;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;

- agree that none of the Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (the "**Relevant Persons**"), and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

- agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the **Relevant Persons** any personal data which the Company or any of them may require about you and the person(s) for whose benefit you have made the application;

- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the Company nor the **Relevant Persons** will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus;

- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;

- represent, warrant and undertake that you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

- warrant that the information you have provided is true and accurate;

- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated to you under the application;

- authorize (i) the Company to place your name(s) or the name of HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you and such other registers as required under the Articles of Association of the Company and (ii) the Company and/or the Company's agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund check(s) in person;

- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

- understand that the Company, the Directors and the Sole Overall Coordinator will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service by you or by any one as your agent or by any other person; and

- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

## 4. Minimum Application Amount and Permitted Numbers

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Public Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

**DPC Dash Ltd**

**(HK$50.0 per Hong Kong Public Offer Share)**

**NUMBER OF HONG KONG PUBLIC OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS**

| No. of Hong Kong Public Offer Shares applied for | Amount payable on application *HK$* | No. of Hong Kong Public Offer Shares applied for | Amount payable on application *HK$* | No. of Hong Kong Public Offer Shares applied for | Amount payable on application *HK$* | No. of Hong Kong Public Offer Shares applied for | Amount payable on application *HK$* |
|---|---|---|---|---|---|---|---|
| 100 | 5,050.40 | 2,000 | 101,007.85 | 10,000 | 505,039.25 | 80,000 | 4,040,314.00 |
| 200 | 10,100.79 | 2,500 | 126,259.82 | 15,000 | 757,558.88 | 90,000 | 4,545,353.25 |
| 300 | 15,151.18 | 3,000 | 151,511.78 | 20,000 | 1,010,078.50 | 100,000 | 5,050,392.50 |
| 400 | 20,201.57 | 3,500 | 176,763.74 | 25,000 | 1,262,598.13 | 200,000 | 10,100,785.00 |
| 500 | 25,251.97 | 4,000 | 202,015.70 | 30,000 | 1,515,117.75 | 300,000 | 15,151,177.50 |
| 600 | 30,302.36 | 4,500 | 227,267.67 | 35,000 | 1,767,637.38 | 400,000 | 20,201,570.00 |
| 700 | 35,352.75 | 5,000 | 252,519.63 | 40,000 | 2,020,157.00 | 500,000 | 25,251,962.50 |
| 800 | 40,403.14 | 6,000 | 303,023.55 | 45,000 | 2,272,676.63 | 567,500(1) | 28,660,977.44 |
| 900 | 45,453.54 | 7,000 | 353,527.48 | 50,000 | 2,525,196.25 | | |
| 1,000 | 50,503.93 | 8,000 | 404,031.40 | 60,000 | 3,030,235.50 | | |
| 1,500 | 75,755.89 | 9,000 | 454,535.33 | 70,000 | 3,535,274.75 | | |

*Note:*

(1) Maximum number of Hong Kong Public Offer Shares you may apply for.

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

## 5. Applying Through the White Form eIPO Service

### *General*

Individuals who meet the criteria in "– Who Can Apply" above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

### *Time for Submitting Applications under the White Form eIPO Service*

You may submit your application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Tuesday, December 13, 2022 until 11:30 a.m. on Friday, December 16, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, December 16, 2022, the last day for applications, or such later time as described in "– C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" below.

### *No Multiple Applications*

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instructions** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instructions** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

***Commitment to sustainability***

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2.0 for each "DPC Dash Ltd" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

## 6. Applying Through CCASS EIPO Service

***General***

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants though HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Sponsor, the Sole Overall Coordinator and the Hong Kong Share Registrar.

*Applying through CCASS EIPO Service*

Where you have applied through **CCASS EIPO** service (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

- HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and

- HKSCC Nominees will do the following things on your behalf:

  - agree that the Hong Kong Public Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

  - agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;

  - undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;

  - confirm that you understand that the Company, the Directors and the Sole Overall Coordinator will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

  - authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;

- agree that neither the Company nor any of the **Relevant Persons** is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

- agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the **Relevant Persons** any personal data which the Company or they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company's agreeing that the Company will not offer any Hong Kong Public Offer Shares to any person on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by the Company;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Articles of Association of the Company and the Companies (WUMP) Ordinance; and

- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong.

***Effect of Applying through CCASS EIPO Service***

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

***Time for Inputting Electronic Application Instructions*[1]**

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

**Tuesday, December 13, 2022 – 9:00 a.m. to 8:30 p.m.**
**Wednesday, December 14, 2022 – 8:00 a.m. to 8:30 p.m.**
**Thursday, December 15, 2022 – 8:00 a.m. to 8:30 p.m.**
**Friday, December 16, 2022 – 8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, December 13, 2022 until 12:00 noon on Friday, December 16, 2022 (24 hours daily, except on Friday, December 16, 2022, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, December 16, 2022, the last day for applications, or such later time as described in "– C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" below.

*Note:*

1 The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

***Personal Data***

The following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank and the **Relevant Persons** about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

***Personal Information Collection Statement***

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Public Offer Shares, of the policies and practices of the Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

*Reasons for the collection of your personal data*

It is necessary for applicants and registered holders of the Hong Kong Public Offer Shares to supply correct personal data to the Company or the Company's agents and the Hong Kong Share Registrar when applying for the Hong Kong Public Offer Shares or transferring the Hong Kong Public Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Public Offer Shares being rejected, or in delay or the inability of the Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Public Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Public Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

***Purposes***

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Public Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Register of Members;
- verifying identities of the holders of the Shares;

- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to holders of the Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

*Transfer of personal data*

Personal data held by the Company and the Hong Kong Share Registrar relating to the holders of the Hong Kong Public Offer Shares will be kept confidential but the Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisors, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Public Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Public Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

*Retention of personal data*

The Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Public Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

*Access to and correction of personal data*

Holders of the Hong Kong Public Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in "Corporate information" in this prospectus or as notified from time to time, for the attention of the secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

## 7. Warning for Electronic Applications

The application for the Hong Kong Public Offer Shares by **CCASS EIPO** service (directly or indirectly through your broker or custodian) is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Public Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The Company, the Directors, the **Relevant Persons** and the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through **CCASS EIPO** service or person applying through the **White Form eIPO** service will be allocated any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems.

In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, December 16, 2022, the last day for applications, or such later time as described in "– Effect of bad weather and Extreme Conditions on the opening and closing of the application lists" below.

## 8. How Many Applications Can You Make

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Public Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

With regard to the announcement of results of allocations, the list of identification document number(s) may not be a complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"**Unlisted company**" means a company with no equity securities on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

## B. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The Maximum Offer Price is HK$50.0 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 100 Hong Kong Public Offer Shares, you will pay HK$5,050.40.

You must pay the Maximum Offer Price, together with brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Public Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 100 Hong Kong Public Offer Shares. If you make an **electronic application instruction** for more than 100 Hong Kong Public Offer Shares, the number of Hong Kong Public Offer Shares you apply for must be in one of the specified numbers in "– Applications for Hong Kong Public Offer Shares – Minimum application amount and permitted numbers".

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy and the AFRC transaction levy, collected by the Stock Exchange on behalf of the SFC and the AFRC respectively).

For further details on the Offer Price, see "Structure of the Global Offering – Pricing and allocation".

## C. EFFECT OF BAD WEATHER AND EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, December 16, 2022. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, December 16, 2022 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in "Expected timetable", an announcement will be made on the Company's website at **www.dpcdash.com** and the website of Stock Exchange at **www.hkexnews.hk**.

## D. PUBLICATION OF RESULTS

The Company expects to announce the pricing of the Offer Shares on Thursday, December 22, 2022 on its website at **www.dpcdash.com** and the website of Stock Exchange at **www.hkexnews.hk**.

The Company expects to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Public Offer Shares on Thursday, December 22, 2022 on its website at **www.dpcdash.com** and the website of Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the Company's website and the website of Stock Exchange at **www.dpcdash.com** and **www.hkexnews.hk**, respectively, by no later than 8:00 a.m. on Thursday, December 22, 2022;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24 hour basis from 8:00 a.m. on Thursday, December 22, 2022 to 12:00 midnight on Wednesday, December 28, 2022; and

- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Thursday, December 22, 2022 to Thursday, December 29, 2022 on a business day (excluding Saturday, Sunday and public holidays in Hong Kong).

If the Company accept your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

## E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allocated to you:

**If your application is revoked:**

By applying through the **CCASS EIPO** service or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or

- if any supplement to this prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

**If the Company or its agents exercise discretion to reject your application:**

The Company, the Sole Overall Coordinator, the **White Form eIPO** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**If the allotment of Hong Kong Public Offer Shares is void:**

The allotment of Hong Kong Public Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

- within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

**If:**

- you make multiple applications or are suspected of making multiple applications;

- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Offer Shares;

- your payment is not made correctly;

- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;

- you apply for more than 567,500 Hong Kong Public Offer Shares, being 50% of Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering;

- the Company or the Sole Overall Coordinator believe that by accepting your application, a violation of applicable securities or other laws, rules or regulations would result; or

- the Underwriting Agreements do not become unconditional or are terminated.

## F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in "Structure of the Global Offering – Conditions of the Global Offering" are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on or before Thursday, December 22, 2022.

## G. DISPATCH/COLLECTION OF SHARE CERTIFICATES/e-REFUND PAYMENT INSTRUCTIONS/REFUND CHECKS

You will receive one Share certificate for all Hong Kong Public Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

The Company will not issue any temporary document of title in respect of the Offer Shares. The Company will not issue receipt for sums paid on application.

Subject to arrangement on dispatch/collection of Share certificates and refund checks as mentioned below, any refund checks and Share certificate(s) are expected to be posted on or before Thursday, December 22, 2022. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, December 23, 2022, provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with their respective terms at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

**Personal Collection**

- ***If you apply through White Form eIPO service***:

  - If you apply for 100,000 Hong Kong Public Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) and/or refund cheque(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 22, 2022, or any other place or date notified by the Company.

  - If you do not personally collect your Share certificate(s) and/or refund cheque(s) (where applicable) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

  - If you apply for less than 100,000 Hong Kong Public Offer Shares through the **White Form eIPO** service, your Share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, December 22, 2022 by ordinary post and at your own risk.

  - If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from **multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.**

- ***If you apply through CCASS EIPO service***:

  *Allocation of Hong Kong Public Offer Shares*

  - For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, December 22, 2022 or on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Public Offer Shares in the manner as described in "– Publication of Results" above on Thursday, December 22, 2022. You should check the announcement published by the Company and report any discrepancies o HKSCC before 5:00 p.m. on Thursday, December 22, 2022 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf, you can also check the number of the Hong Kong Public Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, December 22, 2022. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, December 22, 2022.

## H. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*

羅兵咸永道

**ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DPC DASH LTD AND MERRILL LYNCH (ASIA PACIFIC) LIMITED**

**Introduction**

We report on the historical financial information of DPC Dash Ltd (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-87, which comprises the consolidated balance sheets as at December 31, 2019, 2020, 2021 and June 30, 2022, the company balance sheets as at December 31, 2019, 2020, 2021 and June 30, 2022, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-87 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 13, 2022 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountant's responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2019, 2020, 2021 and June 30, 2022 and the consolidated financial position of the Group as at December 31, 2019, 2020, 2021 and June 30, 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information.

***Review of stub period comparative financial information***

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board (IAASB). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

***Dividends***

We refer to Note 12 to the Historical Financial Information which states that no dividends had been paid by DPC Dash Ltd in respect of the Track Record Period.

***No statutory financial statements for the Company***

No statutory financial statements have been prepared for the Company since its date of incorporation.

**PricewaterhouseCoopers**
*Certified Public Accountants*
Hong Kong
December 13, 2022

## I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("the Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand of RMB (RMB'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Note | Year ended December 31, 2019 RMB'000 | 2020 RMB'000 | 2021 RMB'000 | Six months ended June 30, 2021 RMB'000 (Unaudited) | 2022 RMB'000 |
|---|---|---|---|---|---|---|
| Revenue | 5 | 836,629 | 1,104,053 | 1,611,327 | 766,559 | 908,789 |
| Raw materials and consumables cost | 18 | (228,065) | (310,505) | (425,580) | (203,574) | (247,193) |
| Staff compensation expense | 7 | (335,873) | (469,224) | (703,458) | (342,589) | (336,908) |
| Depreciation of right-of-use assets | 14 | (98,612) | (128,426) | (162,049) | (76,574) | (90,984) |
| Depreciation of plant and equipment | 13 | (57,737) | (76,932) | (98,656) | (46,859) | (56,673) |
| Amortization of intangible assets | 15 | (36,111) | (40,210) | (43,031) | (20,842) | (23,477) |
| Utilities expenses | | (42,963) | (53,807) | (71,702) | (33,733) | (37,305) |
| Advertising and promotion expenses | | (61,535) | (86,274) | (121,861) | (59,625) | (53,873) |
| Store operation and maintenance expenses | | (53,730) | (75,715) | (101,826) | (48,226) | (57,676) |
| Variable lease rental payment, short-term rental and other related expenses | | (6,875) | (8,146) | (17,975) | (8,698) | (14,231) |
| Other expenses | 6 | (45,034) | (56,332) | (56,988) | (21,992) | (45,211) |
| Fair value change of financial liabilities at fair value through profit or loss ("FVPL") | 25 | – | (13,933) | (201,300) | (83,384) | (1,079) |
| Other income | 8 | 2,421 | 15,910 | 4,424 | 3,134 | 19,889 |
| Other (losses)/gains, net | 8 | (3,047) | (6,196) | (1,776) | 3,229 | (1,587) |
| Finance costs, net | 9 | (51,018) | (61,940) | (87,671) | (40,941) | (48,218) |
| **Loss before income tax** | | (181,550) | (267,677) | (478,122) | (214,115) | (85,737) |
| Income tax (expense)/credit | 10 | – | (6,373) | 7,059 | 8,892 | (9,738) |
| **Loss for the year/period attributable to owners of the Company** | | (181,550) | (274,050) | (471,063) | (205,223) | (95,475) |
| **Other comprehensive income/(losses):** | | | | | | |
| *Item that may be subsequently reclassified to profit or loss* | | | | | | |
| Currency translation differences | 23 | 11 | (14,646) | (7,122) | (905) | (15,498) |
| *Item that may not be subsequently reclassified to profit or loss* | | | | | | |
| Currency translation differences | 23 | 4,494 | 2,222 | 5,161 | (1,321) | (13,668) |
| Changes in the fair value attributable to own credit risk change | 23 | – | (639) | (3,776) | (3,446) | (49) |
| **Other comprehensive income/(losses) for the year/period, net of tax** | | 4,505 | (13,063) | (5,737) | (5,672) | (29,215) |
| **Total comprehensive loss for the year/period attributable to owners of the Company** | | (177,045) | (287,113) | (476,800) | (210,895) | (124,690) |
| **Loss per share for loss attributable to owners of the company** | | | | | | |
| – Basic and diluted loss per share (RMB) | 11 | (2.14) | (3.21) | (5.42) | (2.38) | (1.00) |

## CONSOLIDATED BALANCE SHEETS

| | Note | As at December 31, 2019 RMB'000 | 2020 RMB'000 | 2021 RMB'000 | As at June 30, 2022 RMB'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Plant and equipment | *13* | 283,703 | 361,617 | 427,050 | 432,344 |
| Right-of-use assets | *14* | 468,445 | 595,775 | 637,619 | 672,445 |
| Intangible assets | *15* | 1,299,234 | 1,284,685 | 1,254,006 | 1,241,978 |
| Prepayment and deposits | *20* | 28,022 | 31,380 | 31,372 | 36,041 |
| Deferred income tax assets | *28* | – | – | 28,606 | 38,358 |
| | | 2,079,404 | 2,273,457 | 2,378,653 | 2,421,166 |
| **Current assets** | | | | | |
| Inventories | *18* | 21,090 | 25,677 | 36,517 | 47,217 |
| Trade receivables | *19* | 2,318 | 3,630 | 4,581 | 4,494 |
| Prepayment, deposits and other receivables | *20* | 55,871 | 85,528 | 84,056 | 55,353 |
| Cash and cash equivalents | *21(a)* | 83,657 | 257,390 | 656,672 | 576,944 |
| Restricted cash | *21(b)* | 817 | 3,034 | 2,215 | 214 |
| | | 163,753 | 375,259 | 784,041 | 684,222 |
| **Total assets** | | 2,243,157 | 2,648,716 | 3,162,694 | 3,105,388 |
| **EQUITY** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | *22* | 576,620 | 582,677 | 651,496 | 651,496 |
| Share premium | *22* | 854,976 | 872,366 | 1,143,738 | 1,143,738 |
| Other reserves | *23* | 29,671 | 16,608 | 44,006 | 32,855 |
| Accumulated losses | | (123,416) | (397,466) | (868,529) | (964,004) |
| Shares held for restricted share units ("RSUs") | *22* | – | – | (12,834) | (12,834) |
| **Total equity** | | 1,337,851 | 1,074,185 | 957,877 | 851,251 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | *24* | 65,000 | 180,000 | – | 100,000 |
| Financial liabilities at fair value through profit or loss | *25* | – | 275,077 | 784,426 | 826,886 |
| Lease liabilities | *14* | 386,491 | 501,535 | 540,112 | 572,081 |
| Other payables | *27* | 80,462 | 40,197 | 31,249 | 6,891 |
| | | 531,953 | 996,809 | 1,355,787 | 1,505,858 |
| **Current liabilities** | | | | | |
| Borrowings | *24* | – | 30,000 | 180,000 | – |
| Lease liabilities | *14* | 98,503 | 128,046 | 141,212 | 162,941 |
| Trade payables | *26* | 83,992 | 73,743 | 124,696 | 141,843 |
| Contract liabilities | *5(a)* | 11,767 | 17,269 | 23,210 | 27,063 |
| Accruals and other payables | *27* | 179,091 | 322,291 | 358,365 | 401,619 |
| Current income tax liabilities | | – | 6,373 | 21,547 | 14,813 |
| | | 373,353 | 577,722 | 849,030 | 748,279 |
| **Total liabilities** | | 905,306 | 1,574,531 | 2,204,817 | 2,254,137 |
| **Total equity and liabilities** | | 2,243,157 | 2,648,716 | 3,162,694 | 3,105,388 |
| **Net current liabilities** | | (209,600) | (202,463) | (64,989) | (64,057) |

## BALANCE SHEETS OF THE COMPANY

| | Note | As at December 31, 2019 RMB'000 | 2020 RMB'000 | 2021 RMB'000 | As at June 30, 2022 RMB'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Investments in subsidiaries | *16, 30* | 1,707,368 | 1,985,736 | 2,319,803 | 2,458,009 |
| Prepayments | *20* | 4,883 | 1,957 | – | – |
| | | 1,712,251 | 1,987,693 | 2,319,803 | 2,458,009 |
| **Current assets** | | | | | |
| Prepayments and other receivables | *20* | 13,880 | 13,330 | 13,084 | 2,819 |
| Cash and cash equivalents | *21* | 2,727 | 3,417 | 314,419 | 169,333 |
| | | 16,607 | 16,747 | 327,503 | 172,152 |
| **Total assets** | | 1,728,858 | 2,004,440 | 2,647,306 | 2,630,161 |
| **EQUITY** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | *22* | 576,620 | 582,677 | 651,496 | 651,496 |
| Share premium | *22* | 854,976 | 872,366 | 1,143,738 | 1,143,738 |
| Other reserves | *23* | 34,621 | 36,204 | 70,724 | 75,071 |
| Retained earnings/ (accumulated losses) | | 232,513 | 182,830 | (64,449) | (104,989) |
| Shares held for RSUs | *22* | – | – | (12,834) | (12,834) |
| **Total equity** | | 1,698,730 | 1,674,077 | 1,788,675 | 1,752,482 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Financial liabilities at fair value through profit or loss | *25* | – | 275,077 | 784,426 | 826,886 |
| Other payables | *27* | 6,318 | 29,780 | 21,305 | – |
| | | 6,318 | 304,857 | 805,731 | 826,886 |
| **Current liabilities** | | | | | |
| Accruals and other payables | *27* | 7,002 | 6,913 | 30,321 | 26,605 |
| Amounts due to subsidiaries | | 16,808 | 18,593 | 22,579 | 24,188 |
| | | 23,810 | 25,506 | 52,900 | 50,793 |
| **Total liabilities** | | 30,128 | 330,363 | 858,631 | 877,679 |
| **Total equity and liabilities** | | 1,728,858 | 2,004,440 | 2,647,306 | 2,630,161 |
| **Net current (liabilities)/assets** | | (7,203) | (8,759) | 274,603 | 121,359 |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | | Attributable to owners of the Company | | | | |
|---|---|---|---|---|---|---|
| | *Note* | **Share capital** *RMB'000* | **Share premium** *RMB'000* | **Other reserves** *RMB'000* | **(Accumulated losses)/ retained profits** *RMB'000* | **Total equity** *RMB'000* |
| **Balance at January 1, 2019** | | 578,268 | 854,496 | 25,166 | 58,134 | 1,516,064 |
| **Comprehensive income** | | | | | | |
| Loss for the year | | – | – | – | (181,550) | (181,550) |
| Other comprehensive income | *23* | – | – | 4,505 | – | 4,505 |
| **Total comprehensive income** | | – | – | 4,505 | (181,550) | (177,045) |
| **Transactions with owners** | | | | | | |
| Issuance of shares to directors for compensation | *22* | 1,162 | 2,707 | – | – | 3,869 |
| Issuance of shares to shareholders for services | *22* | 8,210 | 20,509 | – | – | 28,719 |
| Repurchase of ordinary shares | *22* | (11,020) | (22,736) | – | – | (33,756) |
| **Total transactions with owners** | | (1,648) | 480 | – | – | (1,168) |
| **Balance at December 31, 2019** | | 576,620 | 854,976 | 29,671 | (123,416) | 1,337,851 |

| | | Attributable to owners of the Company | | | | |
|---|---|---|---|---|---|---|
| | *Note* | **Share capital** *RMB'000* | **Share premium** *RMB'000* | **Other reserves** *RMB'000* | **Accumulated losses** *RMB'000* | **Total equity** *RMB'000* |
| **Balance at January 1, 2020** | | 576,620 | 854,976 | 29,671 | (123,416) | 1,337,851 |
| **Comprehensive income** | | | | | | |
| Loss for the year | | – | – | – | (274,050) | (274,050) |
| Change in fair value of convertible senior ordinary shares due to credit risk changes | *23* | – | – | (639) | – | (639) |
| Other comprehensive loss | *23* | – | – | (12,424) | – | (12,424) |
| **Total comprehensive income** | | – | – | (13,063) | (274,050) | (287,113) |
| **Transactions with owners** | | | | | | |
| Issuance of shares to directors for compensation | *22* | 1,932 | 7,325 | – | – | 9,257 |
| Issuance of shares to a shareholder for services | *22* | 4,125 | 10,065 | – | – | 14,190 |
| **Total transactions with owners** | | 6,057 | 17,390 | – | – | 23,447 |
| **Balance at December 31, 2020** | | 582,677 | 872,366 | 16,608 | (397,466) | 1,074,185 |

| | | Attributable to owners of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | *Note* | **Share capital** *RMB'000* | **Share premium** *RMB'000* | **Shares held for RSUs** *RMB'000* | **Other reserves** *RMB'000* | **Accumulated losses** *RMB'000* | **Total equity** *RMB'000* |
| **Balance at January 1, 2021** | | 582,677 | 872,366 | – | 16,608 | (397,466) | 1,074,185 |
| **Comprehensive income** | | | | | | | |
| Loss for the year | | – | – | – | – | (471,063) | (471,063) |
| Change in fair value of convertible senior ordinary shares due to credit risk changes | *23* | – | – | – | (3,776) | – | (3,776) |
| Other comprehensive loss | *23* | – | – | – | (1,961) | – | (1,961) |
| **Total comprehensive income** | | – | – | – | (5,737) | (471,063) | (476,800) |
| **Transactions with owners** | | | | | | | |
| Issuance of shares to directors for compensation | *22* | 1,699 | 6,149 | – | – | – | 7,848 |
| Issuance of shares to a shareholder for services | *22* | 3,947 | 9,512 | – | – | – | 13,459 |
| Issuance of ordinary shares, net of issuance cost | *22* | 37,504 | 218,843 | – | – | – | 256,347 |
| Issuance of ordinary shares for RSUs | *29* | 25,669 | – | (25,669) | – | – | – |
| Transfer of vested RSUs | *29* | – | 36,868 | 12,835 | (49,703) | – | – |
| Share-based compensation expenses for employees | *29* | – | – | – | 82,838 | – | 82,838 |
| **Total transactions with owners** | | 68,819 | 271,372 | (12,834) | 33,135 | – | 360,492 |
| **Balance at December 31, 2021** | | 651,496 | 1,143,738 | (12,834) | 44,006 | (868,529) | 957,877 |

| | | Attributable to owners of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | *Note* | **Share capital** *RMB'000* | **Share premium** *RMB'000* | **Shares held for RSUs** *RMB'000* | **Other reserves** *RMB'000* | **Accumulated losses** *RMB'000* | **Total equity** *RMB'000* |
| **(Unaudited)** | | | | | | | |
| **Balance at January 1, 2021** | | 582,677 | 872,366 | – | 16,608 | (397,466) | 1,074,185 |
| **Comprehensive income** | | | | | | | |
| Loss for the period | | – | – | – | – | (205,223) | (205,223) |
| Change in fair value of convertible senior ordinary shares due to credit risk changes | *23* | – | – | – | (3,446) | – | (3,446) |
| Other comprehensive loss | *23* | – | – | – | (2,226) | – | (2,226) |
| **Total comprehensive income** | | – | – | – | (5,672) | (205,223) | (210,895) |
| **Transactions with owners** | | | | | | | |
| Share-based compensation expenses for employees | *29* | – | – | – | 66,704 | – | 66,704 |
| **Total transactions with owners** | | – | – | – | 66,704 | – | 66,704 |
| **Balance at June 30, 2021** | | 582,677 | 872,366 | – | 77,640 | (602,689) | 929,994 |

| | | Attributable to owners of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | *Note* | **Share capital** *RMB'000* | **Share premium** *RMB'000* | **Shares held for RSUs** *RMB'000* | **Other reserves** *RMB'000* | **Accumulated losses** *RMB'000* | **Total equity** *RMB'000* |
| **Balance at January 1, 2022** | | 651,496 | 1,143,738 | (12,834) | 44,006 | (868,529) | 957,877 |
| **Comprehensive income** | | | | | | | |
| Loss for the period | | – | – | – | – | (95,475) | (95,475) |
| Change in fair value of convertible senior ordinary shares due to credit risk changes | *23* | – | – | – | (49) | – | (49) |
| Other comprehensive loss | *23* | – | – | – | (29,166) | – | (29,166) |
| **Total comprehensive income** | | – | – | – | (29,215) | (95,475) | (124,690) |
| **Transactions with owners** | | | | | | | |
| Share-based compensation expenses for employees | *29* | – | – | – | 18,064 | – | 18,064 |
| **Total transactions with owners** | | – | – | – | 18,064 | – | 18,064 |
| **Balance at June 30, 2022** | | 651,496 | 1,143,738 | (12,834) | 32,855 | (964,004) | 851,251 |

## CONSOLIDATED CASH FLOW STATEMENTS

| | Note | Year ended December 31, 2019 RMB'000 | 2020 RMB'000 | 2021 RMB'000 | Six months ended June 30, 2021 RMB'000 (Unaudited) | 2022 RMB'000 |
|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | |
| Cash generated from operations | *31(a)* | 124,347 | 103,543 | 338,462 | 163,848 | 193,796 |
| Income tax paid | | – | – | (6,373) | (6,373) | (26,223) |
| **Net cash generated from operating activities** | | 124,347 | 103,543 | 332,089 | 157,475 | 167,573 |
| **Cash flows from investing activities** | | | | | | |
| Purchase of plant and equipment | | (155,172) | (127,602) | (170,781) | (83,563) | (61,164) |
| Purchase of intangible assets | | (27,650) | (30,864) | (14,029) | (7,803) | (7,868) |
| Interest received | | 1,594 | 1,159 | 1,860 | 1,008 | 890 |
| Proceeds from disposal of plant and equipment | *31(b)* | – | 4,899 | 1,210 | 894 | – |
| **Net cash used in investing activities** | | (181,228) | (152,408) | (181,740) | (89,464) | (68,142) |
| **Cash flows from financing activities** | | | | | | |
| Proceeds from issuance of convertible senior ordinary shares | *31(d)* | – | 282,757 | 316,693 | 258,835 | – |
| Rental deposit payment | | (7,693) | (11,542) | (9,302) | (3,093) | (3,917) |
| Proceeds from borrowings | *31(d)* | 65,000 | 145,000 | – | – | 100,000 |
| Repayment to borrowings | *31(d)* | – | – | (30,000) | (10,000) | (180,000) |
| Payment of principal element of lease liabilities | *31(d)* | (88,717) | (112,443) | (147,044) | (66,088) | (70,546) |
| Payment of interest element of lease liabilities | *31(d)* | (29,713) | (37,360) | (48,659) | (23,672) | (26,326) |
| Interests paid | *31(d)* | – | (9,609) | (14,563) | (7,535) | (8,824) |
| Installment for franchise agreement | *31(d)* | (13,952) | (13,050) | (76,508) | (12,736) | – |
| Issuance cost of convertible senior ordinary shares and ordinary shares | | – | (10,226) | (8,049) | (1,368) | – |
| Payment of listing expense | | – | – | (275) | – | (1,603) |
| Proceeds from issuance of ordinary shares | *22* | 68 | 42 | 260,692 | – | – |
| **Net cash (used in)/generated from financing activities** | | (75,007) | 233,569 | 242,985 | 134,343 | (191,216) |
| **Net (decrease)/increase in cash and cash equivalents** | | (131,888) | 184,704 | 393,334 | 202,354 | (91,785) |
| Cash and cash equivalents at beginning of year/period | *21* | 216,862 | 83,657 | 257,390 | 257,390 | 656,672 |
| Exchange difference on cash and cash equivalents | | (1,317) | (10,971) | 5,948 | 1,957 | 12,057 |
| **Cash and cash equivalents at end of year/period** | *21* | 83,657 | 257,390 | 656,672 | 461,701 | 576,944 |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(All amounts in RMB Yuan unless otherwise stated)

### 1 GENERAL INFORMATION

DPC Dash Ltd (the "Company") (previously named Dash Brands Ltd.) is a limited liability company incorporated in British Virgin Islands on April 30, 2008. The address of its registered office is Kingston Chambers, P.O. Box 173 Road Town, Tortola, British Virgin Islands.

The Company, an investment holding company, and its subsidiaries (collectively, the "Group") are principally engaged in the operation of fast food restaurant chains in the People's Republic of China (the "PRC").

Dash DPZ China Limited ("DPZ China") held 100% equity interests in Pizzavest China Ltd., which was Domino's Pizza's master franchisee in Mainland China, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China.

Before July 2017, DPZ China was jointly controlled by the Company and a third party. In July 2017, the Company issued additional shares to the third party to acquire the remaining equity interests in DPZ China (the "Acquisition"). After the Acquisition, DPZ China became a wholly-owned subsidiary of the Company.

The master franchise agreement with Domino's Pizza International Franchising Inc. ("DPIF") provides the Group with the exclusive right to develop and operate Domino's Pizza stores and to use and license Domino's system and the associated trademarks in the operation of the pizza stores in Mainland China, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China. The term of the master franchise agreement continues until June 1, 2027 and is renewable for two additional 10-year terms, subject to the fulfilment of certain conditions.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The Historical Financial Information of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The Historical Financial Information have been prepared under the historical cost convention, as modified by the revaluation of certain financial liabilities at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning January 1, 2022, are consistently applied by the Group throughout the Track Record Period.

***(a) New / amended standards and annual improvements not yet adopted***

Standards, amendments and annual improvements that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

| **New/amended standards** | | **Effective for annual periods beginning on or after** |
|---|---|---|
| IFRS 17 | Insurance Contracts | January 1, 2023 |
| IAS 1 (Amendments) | Classification of liabilities as current or non-current | January 1, 2023 |

| New/amended standards | | Effective for annual periods beginning on or after |
|---|---|---|
| IAS 1 and IFRS Practice Statement 2 (Amendments) | Disclosure of accounting policies | January 1, 2023 |
| IAS 8 (Amendments) | Definition of accounting estimates | January 1, 2023 |
| IAS 12 (Amendments) | Deferred tax related to assets and liabilities arising from a single transaction | January 1, 2023 |
| IFRS 10 and IAS 28 (Amendments) | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

The Group has already commenced an assessment of the impact of these new or amended standards and annual improvements. According to the preliminary assessment made by the directors of the Company (the "Directors"), no significant impact on the financial performance and position of the Group is expected when they become effective.

**2.2 Going concern**

As of December 31, 2019, 2020 and 2021 and June 30, 2022, the Group recorded net current liabilities of approximately RMB209,600,000, RMB202,463,000, RMB64,989,000 and RMB64,057,000, respectively. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the Group had net losses of approximately RMB181,550,000, RMB274,050,000, RMB471,063,000, and RMB95,475,000, and net cash inflows from operating activities of approximately RMB124,347,000, RMB103,543,000, RMB332,089,000, and RMB167,573,000, respectively.

The directors of the Company have reviewed the Group's cash flow forecast, which covers a period of not less than twelve months from June 30, 2022. In preparing the cash flow forecast, the directors have considered the Group's capital expenditures plans (including the new stores opening plan in the forecast period), estimated cash flows generated from operations, existing cash on hand and other available source of funds. Based on review of the cash flow forecast, the directors believe that the Group has sufficient funds to meet its liabilities and continue its operations for at least twelve months from June 30, 2022.

Accordingly, the Historical Financial Information have been prepared on the basis that the Group will continue as a going concern.

**2.3 Subsidiaries**

***2.3.1 Consolidation***

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note (a)).

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, statements of changes in equity and balance sheet respectively.

*(a) Business combinations*

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the following, if applicable:

- fair value of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

***2.3.2 Separate financial statements***

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Historical Financial Information of the investee's net assets including goodwill.

**2.4 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Company who make strategic decisions.

**2.5 Foreign currency translation**

***(a) Functional and presentation currency***

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is United States Dollars ("US$"). The functional currency of the Group's subsidiaries incorporated in Cayman Islands and Hong Kong is US$. The Group's PRC subsidiaries determined their functional currency to be RMB. The Historical Financial Information are presented in RMB as the major operations of the Group are conducted in the PRC.

***(b) Transaction and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income within "finance cost". All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "other (losses)/gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

***(c) Group companies***

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each consolidated statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);

(iii) all resulting currency translation differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognized in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange currency translation arising from the translation of any net investment in foreign entities are recognized in other comprehensive income.

**2.6 Plant and equipment**

All plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of the plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Leasehold improvements | Over the lease terms or useful life of 6 years, whichever the shorter |
| Machinery and equipment | 5-10 years |
| Office equipment | 5 years |
| Motor vehicles | 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within "other (losses)/gains, net" in the consolidated statements of comprehensive income.

**2.7 Construction in progress**

Construction in progress represents furniture and fixtures, equipment and leasehold improvements under construction or installation. Construction in progress is stated at cost less accumulated impairment losses, if any. Cost includes construction costs, installation costs that are eligible for capitalization and other costs necessary to bring the plant, equipment and leasehold improvements ready for their intended use. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to plant and equipment and depreciated in accordance with the policies as stated in note 2.6.

**2.8 Intangible assets**

***(a) Goodwill***

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the amount of the non-controlling interest in the acquiree. Goodwill on acquisition of subsidiaries is included in intangible assets.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

***(b) Master franchise agreement***

Master franchise agreement ("MFA") acquired in a business combination are recognized at fair value at the acquisition date. Master franchise agreement are amortized on the straight-line basis over estimated useful lives of 30 years, which is also the contractual term of the master franchise agreement with renewal terms considered.

The Group should pay additional store franchise fee for each new opening store. Store franchise fee are recognized at cost and amortized on the straight-line bases over estimated operation period of the new store.

According to the MFA, royalty fees are based on a fixed percentage of revenue and the expenses are recognized in "Store operation and maintenance expenses" as incurred.

***(c) Acquired software and website***

The acquired software and website is well-developed and used for the Group's financial reporting and business operation. The acquired software and website are recognized at cost and amortized on a straight-line basis over the estimated useful lives of 1-10 years, representing the management's best estimates after considering the current functionalities equipped by these software and website, the daily operation needs of the Group and the authorized use period of the acquired software and website.

***(d) Self-developed website and app***

Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the website and app so that it will be available for use; (b) management intends to complete the website and app and use or sell it; (c) there is an ability to use or sell the website and app; (d) it can be demonstrated how the website and app will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the website and app are available; and (f) the expenditure attributable to the website and app during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred.

The Group capitalized development expenditure of self-developed website and app which are developed for pizza ordering. The Group can use and maintain the website and app (with minor upgrades) as long as it can meet the customer's pizza ordering needs. The self-developed website and app are recognized at cost and amortized on a straight-line basis over the estimated useful lives of 10 years, representing the management's best estimates after considering the current functionalities equipped by these self-developed website and app and the daily operation needs of the Group.

Research expenditure and development expenditure that do not meet the criteria above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

**2.9 Impairment of non-financial assets**

Goodwill that has an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**2.10 Financial assets**

***(a) Classification***

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- Those to be measured at amortized cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

***(b) Recognition and derecognition***

Regular purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

***(c) Measurement***

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

***(d) Debt instruments***

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other (losses)/gains, net" together with foreign exchange gains and losses.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other (losses)/gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (losses)/gains, net".
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "other (losses)/gains, net" in the period in which it arises.

*(e) Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

*(f) Derecognition*

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and reward of ownership.

*(g) Offset*

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

**2.11 Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of inventories comprises food ingredients, beverages consumables and other direct costs. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**2.12 Trade and other receivables**

Trade receivables primarily are amounts due from third-party platforms in connection with the sales of our products in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See notes 19 and 20 for further information about the Group's trade receivables and other receivables, and note 3.1(b) for a description of the Group's impairment policies.

**2.13 Cash and cash equivalents**

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**2.14 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**2.15 Trade and other payables**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Trade and other payables are presented as current liabilities unless payment is not due within 12 months (or in the normal operating cycle of the business if longer) after the reporting period.

**2.16 Borrowings**

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**2.17 Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

**2.18 Convertible senior ordinary shares**

The Group issued convertible senior ordinary shares which give holders a right for redemption into cash after specified time or a right for conversion into ordinary shares of the Company upon initial public offering ("IPO") automatically or any time at holders' option. The convertible senior ordinary shares will be automatically converted into ordinary shares upon occurrence of certain events outside the control of the Company.

The Group designates convertible senior ordinary shares as financial liabilities at FVPL. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as expense in profit or loss.

Subsequent to initial recognition, the convertible senior ordinary shares are carried at fair value with changes in fair value recognized as "fair value change of financial liabilities at FVPL" in the consolidated statements of comprehensive income. The component of fair value changes relating to the Company's own credit risk is recognized in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling to profit or loss, but are transferred to retained earnings when realized.

**2.19 Current and deferred income tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

***(a) Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*(b) Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liabilities is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

*(c) Offsetting*

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current income tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**2.20 Employee benefits**

*(a) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

*(b) Pension obligations*

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

*(c) Housing funds, medical insurances and other social insurances*

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

**2.21 Share-based compensations**

The Group operates share incentive plan, under which it receives services from directors, employees and a shareholder as consideration for equity instruments (including directors' compensation, stock appreciation rights and RSUs) of the Group. The fair value of the services received in exchange for the grant of the equity instruments (directors' compensation, stock appreciation rights and RSUs) is recognized as an expense in the consolidated statements of comprehensive income.

*(a) Stock appreciation rights ("SAR")*

On January 1, 2018, the Company adopted the SAR to encourage key employees and directors to contribute to the success of the Group and to operate and manage the Group's business in a manner that will provide for the Group's long-term growth and profitability.

Liabilities for the Group's share appreciation rights are recognized as employee benefit expense over the relevant service period. At the end of each reporting period, the Group remeasures the exit equity value based on the fair market value of the Group. The expenses are recognized as "staff compensation expense" in profit or loss, with a corresponding increase in "accruals and other payables" as included in liability.

*(b) RSUs*

For grant of RSUs, the total amount to be expensed is determined by reference to the fair value of the RSUs granted.

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting condition; and
- including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

*(c) Cancellations of stock appreciation rights*

Where the Group cancels the stock appreciation rights it should derecognize the liability. Any difference between the carrying amount of the liability and the consideration paid to cancel the share-based compensation (if any) should be recognized in profit or loss. By the end of June 30, 2022, the Group has cancelled the stock appreciation rights for all existing employees.

In addition, the Group has issued ordinary shares in exchange for the receipt of guarantee services. The fair value of the guarantee services received by the Group is measurable directly and recognised as an expense in the consolidated statements of comprehensive income. The prepaid guarantee fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

**2.22 Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**2.23 Revenue recognition**

The Group recognizes revenue when control of goods have been transferred and services have been rendered.

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, value-added tax and discounts, and after eliminating sales within the Group.

The Group generates revenue from sales of food and beverages through self-developed website and app, third-party platforms and retail stores. Sales of food and beverages are recognized at point in time upon when food and beverages are accepted by customers.

The Group establishes a customer loyalty incentive program which customers can earn award credits from each order. The award credits can be redeemed to deduct payment in next order. The Group also provides coupons to customer for compensation of late delivery, which can be redeemed for free food in the next order. Award credits and coupons for customers are accounted for as separate performance obligations and the fair value of the consideration received or receivable is allocated among the food and beverage sold, award credits and coupons based on their stand-alone selling price ("SSP"). The SSP of the food and beverage is directly observable and determined by the price that they are sold separately. The SSP of award credits and coupons is measured by reference to the amount for which the award credits and coupons could be sold separately considering the breakage based on the Group's best estimation. Such consideration is not recognized as revenue at the time of the initial sale transaction, but is deferred in "contract liabilities" and recognized as revenue when the award credits and coupons are redeemed and the Group's obligations have been fulfilled.

Any consideration payable to customers with no distinct goods or services received from those customers is recognized as a reduction of the revenue.

**2.24 Interest income**

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in the consolidated statements of comprehensive income as part of "finance costs, net".

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purpose.

**2.25 Government grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

**2.26 Leases**

The Group leases various offices, central kitchens and retail stores. Rental contracts of offices, central kitchens and retail stores are typically made for fixed periods of 3 to 6 years, 5 to 10 years and 5 to 8 years respectively but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (if applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following (if applicable):

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipments and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipments and small items of office furniture.

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in IFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in IFRS 16 and recognized the change in consideration as if it were not a lease modification.

**2.27 Dividend distribution**

Dividend distribution to the Company's shareholders is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

**2.28 Losses per share**

***(a) Basic losses per share***

Basic losses per share is calculated by dividing:

- by the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

***(b) Diluted losses per share***

Diluted losses per share adjusts the figures used in the determination of basic losses per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**3 FINANCIAL RISK MANAGEMENT**

**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the Broad of Directors.

***(a) Market risk***

*(i) Foreign exchange risk*

The Group's businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. During the Track Record Period, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

The following table shows the monetary assets held by the Group which are denominated in a currency other than the functional currency of the respective group entities:

| | Functional currency | Currency denomination | As of December 31, 2019 | 2020 | 2021 | As of June 30, 2021 | 2022 |
|---|---|---|---|---|---|---|---|
| | | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000* |
| Cash and cash equivalents | US$ | RMB | 3,661 | 3,493 | 2,096 | 3,495 | 2,095 |
| Cash and cash equivalents | RMB | US$ | 181 | 24,994 | 44,625 | 304 | 590 |
| | | | 3,842 | 28,487 | 46,721 | 3,799 | 2,685 |

As at December 31, 2019, if US$ had strengthened/weakened by 5% against the RMB, with all other variables held constant, loss before income tax for the year would have been approximately RMB174,000 higher/lower respectively, mainly as a result of the net foreign exchange losses/gains on translation of RMB-denominated cash and cash equivalents.

As at December 31, 2020 and 2021, if US$ had strengthened/weakened by 5% against the RMB, with all other variables held constant, loss before income tax for the year would have been approximately RMB1,075,000 and RMB2,126,000 lower/higher respectively, mainly as a result of the net foreign exchange gains/loss on translation of US$-denominated cash and cash equivalents.

As at June 30, 2021 and 2022, if US$ had strengthened/weakened by 5% against the RMB, with all other variables held constant, loss before income tax for the period would have been approximately RMB160,000 and RMB75,000 higher/lower respectively, mainly as a result of the net foreign exchange losses/gains on translation of RMB-denominated cash and cash equivalents.

*(ii) Interest rate risk*

The Group's interest rate risk mainly arises from borrowings, cash and cash equivalents and financial liabilities measured at FVPL. As at June 30, 2022, all of the Group's borrowings are obtained at variable rates and expose the Group to cash flow interest-rate risk. As at December 31, 2019, 2020 and 2021, all of the Group's borrowings were obtained at fixed rates and exposed the Group to fair value interest rate risk. The Group does not hedge its cash flow and fair value interest rate risk. Financial liabilities measured at FVPL expose the Group to fair value interest rate risk before conversion into ordinary shares of the company. Please refer to Notes 24 and 25 for the details of these financial liabilities.

As at June 30, 2022, if the Group's interest rates on borrowings obtained at variable rates had been higher/lower by 0.5%, loss before income tax for the period then ended would have been approximately RMB6,000 higher/lower.

***(b) Credit risk***

The credit risk of the Group mainly arises from cash and cash equivalents, restricted cash, rental and other deposits. The carrying amounts of each financial asset represent the Group's maximum exposure to credit risk in relation to financial assets.

*(i) Risk management*

The Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

The Group's cash and cash equivalents and restricted cash were deposited with high quality financial and other institutions with sound credit ratings. Therefore, the Group does not expect material losses arising from non-performance by these counterparties.

For rental deposits, the Group signed lease contracts with big department stores and real estate management companies. The Group assessed that most of the underlying lease contracts grant the Group, as a leasee, the contractual right to continue occupying the corresponding premises if the landlord does not refund these rental and other deposits at the end of the lease terms. Hence, the Group does not expect material losses arising from non-performance by these counter parties.

*(ii) Impairment of financial assets*

Cash and cash equivalents and restricted cash

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of IFRS 9, management considered the expected credit loss rates to be immaterial and the identified impairment loss was immaterial as substantially all of the Group's bank deposits were deposited with major financial and other institutions which management believes are of high-credit-quality without significant credit risk.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2019, 2020, 2021 and June 30, 2021 and 2022 respectively and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of China in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are presented net of allowance for doubtful accounts. The Group maintains an allowance for doubtful accounts which reflects its best estimate of amounts that potentially will not be collected. The Group determines the allowance for doubtful accounts by taking into consideration various factors including but not limited to historical collection experience and creditworthiness of customers. Trade receivable balances are written off after all collection efforts have been exhausted.

On that basis, the loss allowance at December 31, 2019, 2020 and 2021 and June 30, 2022 was determined as follows.

| **As at December 31, 2019** | **Aging within 30 days** | **Total** |
|---|---|---|
| Expected loss rate (%) | 2.07% | 2.07% |
| Gross carrying amount (RMB' 000) | 2,367 | 2,367 |
| **Loss allowance (RMB' 000)** | (49) | (49) |
| **As at December 31, 2020** | | |
| Expected loss rate (%) | 2.18% | 2.18% |
| Gross carrying amount (RMB' 000) | 3,711 | 3,711 |
| **Loss allowance (RMB' 000)** | (81) | (81) |

| As at December 31, 2021 | Aging within 30 days | Total |
|---|---|---|
| Expected loss rate (%) | 1.76% | 1.76% |
| Gross carrying amount (RMB' 000) | 4,663 | 4,663 |
| **Loss allowance (RMB' 000)** | (82) | (82) |
| **As at June 30, 2022** | | |
| Expected loss rate (%) | 2.39% | 2.39% |
| Gross carrying amount (RMB' 000) | 4,604 | 4,604 |
| **Loss allowance (RMB' 000)** | (110) | (110) |

Movements in the loss allowances for trade receivables are as follows:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* | |
| **Opening loss allowance at beginning of the year/period** | (16) | (49) | (81) | (81) | (82) |
| Increase in the allowance recognized in profit or loss during the year/period | (33) | (32) | (1) | (4) | (28) |
| **Closing loss allowance at end of the year/period** | (49) | (81) | (82) | (85) | (110) |

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Impairment losses on trade receivables are presented within other (losses)/gains, net. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortized cost

The Group's other financial assets carried at amortized cost include rental deposits in the consolidated balance sheets. The impairment loss of rental deposits is measured based on the twelve months expected credit loss. The twelve months expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counter-parties' ability to meet its obligation;
- actual or expected significant changes in the operating results of the counter-parties;
- significant changes in the expected performance and behaviour of the counter-parties, including changes in the payment status of the counter parties.

The loss allowance as at December 31, 2019, 2020 and 2021 and June 30, 2022 was determined as follows for other financial assets:

| **As at December 31, 2019** | **Current** | **Non-current** | **Total** |
|---|---|---|---|
| Expected loss rate (%) | 1.01% | 0.73% | 0.77% |
| Gross carrying amount – Rental deposits (RMB' 000) | 1,806 | 22,880 | 24,686 |
| Gross carrying amount – Others (RMB' 000) | 1,576 | – | 1,576 |
| **Loss allowance (RMB' 000)** | (34) | (167) | (201) |
| **As at December 31, 2020** | | | |
| Expected loss rate (%) | 0.84% | 1.33% | 1.23% |
| Gross carrying amount – Rental deposits (RMB' 000) | 4,563 | 29,490 | 34,053 |
| Gross carrying amount – Others (RMB' 000) | 2,718 | – | 2,718 |
| **Loss allowance (RMB' 000)** | (61) | (391) | (452) |
| **As at December 31, 2021** | | | |
| Expected loss rate (%) | 0.84% | 1.26% | 1.15% |
| Gross carrying amount – Rental deposits (RMB' 000) | 9,061 | 31,773 | 40,834 |
| Gross carrying amount – Others (RMB' 000) | 2,544 | – | 2,544 |
| **Loss allowance (RMB' 000)** | (97) | (401) | (498) |
| **As at June 30, 2022** | | | |
| Expected loss rate (%) | 1.18% | 1.13% | 1.14% |
| Gross carrying amount – Rental deposits (RMB' 000) | 8,327 | 36,452 | 44,779 |
| Gross carrying amount – Others (RMB' 000) | 3,349 | – | 3,349 |
| **Loss allowance (RMB' 000)** | (138) | (411) | (549) |

Movements in the loss allowance for other financial assets at amortized cost are as follows:

| | Rental deposits<br>*RMB' 000* | Others<br>*RMB' 000* | Total<br>*RMB' 000* |
|---|---|---|---|
| **Opening loss allowance as at January 1, 2019** | – | – | – |
| Increase in the allowance recognized in profit or loss during the year | (177) | (24) | (201) |
| **Closing loss allowance as at December 31, 2019** | (177) | (24) | (201) |
| Increase in the allowance recognized in profit or loss during the year | (241) | (10) | (251) |
| **Closing loss allowance as at December 31, 2020** | (418) | (34) | (452) |
| Decrease/(increase) in the allowance recognized in profit or loss during the year | 17 | (63) | (46) |
| **Closing loss allowance as at December 31, 2021** | (401) | (97) | (498) |
| **(Unaudited)** | | | |
| **Opening loss allowance as at 1 January 2021** | (418) | (34) | (452) |
| Decrease/(increase) in the allowance recognized in profit or loss during the period | 83 | (64) | 19 |
| **Closing loss allowance as at 30 June 2021** | (335) | (98) | (433) |
| **Opening loss allowance as at 1 January 2022** | (401) | (97) | (498) |
| Increase in the allowance recognised in profit or loss during the period | (10) | (41) | (51) |
| **Closing loss allowance as at 30 June 2022** | (411) | (138) | (549) |

*(c) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by maintaining adequate amount of cash and cash equivalents.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet dates to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | **Less than 1 year** *RMB'000* | **Between 1 and 2 years** *RMB'000* | **Between 2 and 3 years** *RMB'000* | **Over 3 years** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|---|
| **As at December 31, 2019** | | | | | |
| Borrowings and interest payments | 7,854 | 35,870 | 38,422 | – | 82,146 |
| Lease liabilities and interest payments | 128,479 | 118,837 | 105,490 | 228,141 | 580,947 |
| Trade payables *(note 26)* | 83,992 | – | – | – | 83,992 |
| Accrual and other payables (excluding salary and welfare payables and provision for restoration costs) | 116,522 | 83,714 | – | – | 200,236 |
| | 336,847 | 238,421 | 143,912 | 228,141 | 947,321 |
| **As at December 31, 2020** | | | | | |
| Borrowings and interest payments | 44,190 | 189,570 | – | – | 233,760 |
| Lease liabilities and interest payments | 199,944 | 187,968 | 165,403 | 369,189 | 922,504 |
| Trade payables *(note 26)* | 73,743 | – | – | – | 73,743 |
| Accrual and other payables (excluding salary and welfare payables and provision for restoration costs) | 249,039 | – | – | – | 249,039 |
| Financial liabilities at FVPL *(note 25)* | – | – | – | 417,696 | 417,696 |
| | 566,916 | 377,538 | 165,403 | 786,885 | 1,896,742 |

| | Less than 1 year *RMB'000* | Between 1 and 2 years *RMB'000* | Between 2 and 3 years *RMB'000* | Over 3 years *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| **As at December 31, 2021** | | | | | |
| Borrowings and interest payments | 189,570 | – | – | – | 189,570 |
| Lease liabilities and interest payments | 211,510 | 190,724 | 164,054 | 353,989 | 920,277 |
| Trade payables *(note 26)* | 124,696 | – | – | – | 124,696 |
| Accrual and other payables (excluding salary and welfare payables and provision for restoration costs) | 236,276 | – | – | – | 236,276 |
| Financial liabilities at FVPL *(note 25)* | – | – | 857,022 | – | 857,022 |
| | 762,052 | 190,724 | 1,021,076 | 353,989 | 2,327,841 |
| **As at June 30, 2022** | | | | | |
| Borrowings and interest payments | 4,850 | 4,850 | 103,651 | – | 113,351 |
| Lease liabilities and interest payments | 218,469 | 186,384 | 155,861 | 333,058 | 893,772 |
| Trade payables *(note 26)* | 141,843 | – | – | – | 141,843 |
| Accrual and other payables (excluding salary and welfare payables and provision for restoration costs) | 296,241 | – | – | – | 296,241 |
| Financial liabilities at FVPL *(note 25)* | – | 902,146 | – | – | 902,146 |
| | 661,403 | 1,093,380 | 259,512 | 333,058 | 2,347,353 |

### 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or draw down of new borrowings.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowing divided by total equity.

The gearing ratios at December 31, 2019, 2020 and 2021 and June 30, 2022 were as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Total borrowing** | 65,000 | 210,000 | 180,000 | 100,000 |
| **Total equity** | 1,337,851 | 1,074,185 | 957,877 | 851,251 |
| **Gearing ratio** | 5% | 20% | 19% | 12% |

### 3.3 Fair value measurement

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The following table summarizes the level inputs information of financial liabilities at December 31, 2019, 2020 and 2021 and June 30, 2022.

| | As at December 31, | | | | | | | | | As at June 30, | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | | 2020 | | | 2021 | | | 2022 | | |
| | Level 1 inputs | Level 2 inputs | Level 3 inputs | Level 1 inputs | Level 2 inputs | Level 3 inputs | Level 1 inputs | Level 2 inputs | Level 3 inputs | Level 1 inputs | Level 2 inputs | Level 3 inputs |
| | *RMB' 000* | *RMB' 000* | *RMB' 000* | *RMB' 000* | *RMB' 000* | *RMB' 000* | *RMB' 000* | *RMB' 000* | *RMB' 000* | *RMB' 000* | *RMB' 000* | *RMB' 000* |
| Convertible senior ordinary shares | – | – | – | – | – | 275,077 | – | – | 784,426 | – | – | 826,886 |

Please refer to Note 25 for the methodology and key assumptions as adopted by management in determining the fair value of these financial liabilities.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Historical Financial Information requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**(a) Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the group of CGUs to which goodwill has been allocated.

For the purposes of impairment testing, goodwill has been allocated to the group of CGUs that is expected to generate future economic benefits.

The recoverable amount of the group of CGUs of the Group are determined based on value-in-use calculations. Detailed information of the basis of recoverable amounts and major underlying assumptions are set out in note 15. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the recoverable amounts of the group of CGUs to fall below their carrying amounts.

**(b) Estimated useful lives and residual values of plant and equipment and intangible assets**

The Group's management determines the estimated useful lives and residual values for the Group's plant and equipment and intangible assets. The estimates are based on the historical experience of the actual useful lives of plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortization charges where useful lives are less than previously estimated lives. It will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortizable lives and therefore affect the depreciation and amortization charges in future periods.

**(c) Impairment of plant and equipment, master franchise agreement and right-of-use assets**

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, including, among others, the economic impact of the unprecedented COVID-19 pandemic on the operations of the Group and the region in which it operates. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

**(d) Current and deferred income taxes**

The Group is subject to income taxes in a few jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the current and deferred income tax assets and liabilities in the period in which such determination is made.

Recognition of deferred income tax assets depends on the management's expectation of future taxable profit that will be available against which the deferred income tax assets can be utilized. The outcome of their actual utilization may be different.

**(e) Determination of fair value of the convertible senior ordinary shares**

The convertible senior ordinary shares are not traded in an active market and their fair value is determined using valuation techniques. Management exercise its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting periods. For details of the key assumptions used and the impact of changes to these assumptions, refer to Note 25.

**(f) Recognition of share-based compensation expense**

Significant estimates of stock appreciation rights on key assumptions are required to be made by management in determining the exit equity value of the Company, the probability weight of redemption scenario occurrence and IPO scenario occurrence. Significant estimates of restricted share units on key assumptions are also required to be made by management in determining the fair value of the issued shares at grant date and each balance sheet dates, including revenue growth rate, pre-tax discount rate and terminal growth rate.

## 5 REVENUE AND SEGMENT INFORMATION

The Group is Domino's Pizza's exclusive master franchisee in Mainland China, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China.

The CODM has been identified as the directors of the Company. The directors review the Group's internal reporting in order to assess performance and allocate resources. The directors have determined the operating segment based on these internal reports.

The directors consider the Group's operation from a business perspective and determine that the Group is managed as one single reportable operating segment.

During the Track Record Period, all the Group's revenue are generated from Mainland China.

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* | |
| Revenue from sales of goods and services recognized – at a point in time | 836,629 | 1,104,053 | 1,611,327 | 766,559 | 908,789 |

### (a) Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Contract liabilities | 11,767 | 17,269 | 23,210 | 27,063 |

The increase during the years ended December 31, 2020, 2021 and the six months ended June 30, 2022 was due to increase of sale-based estimated award credits arising from the customer loyalty scheme and coupons for compensation of late delivery, both of which can be used in future purchases and consumptions in the stores.

#### *(i) Revenue recognized in relation to contract liabilities*

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* | |
| Revenue recognized that was included in the balance of contract liabilities at the beginning of the year/period | 6,047 | 11,730 | 17,202 | 8,551 | 11,502 |

Each order with customers is considered as a contract. All contracts entered by the Group are for periods one year or less. The Group has applied the practical expedient as permitted by IFRS 15 and the transaction price allocated to the remaining performance obligations is not disclosed.

**(b) Non-current assets by geographical location**

As of December 31, 2019, 2020 and 2021 and June 30, 2022, most of the Group's non-current assets (other than intangible assets) were located in Mainland China.

## 6 OTHER EXPENSES

An analysis of other expenses is as follow:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* | |
| Professional service expenses | 9,761 | 9,465 | 7,797 | 3,702 | 4,506 |
| Auditor's remuneration | 1,476 | 1,946 | 2,301 | 1,153 | 1,420 |
| Telecommunication and information technology related expenses | 14,853 | 23,183 | 16,583 | 7,939 | 12,111 |
| Travelling and related expenses | 12,587 | 13,826 | 9,782 | 4,605 | 3,144 |
| Listing expenses | – | – | 10,296 | – | 16,599 |
| Others | 6,357 | 7,912 | 10,229 | 4,593 | 7,431 |
| | 45,034 | 56,332 | 56,988 | 21,992 | 45,211 |

## 7 STAFF COMPENSATION EXPENSE (INCLUDING DIRECTOR SERVICE FEES)

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* | |
| Salaries, wages and bonuses | 284,070 | 383,022 | 536,356 | 257,132 | 294,560 |
| Contributions to pension plan *(a)* | 17,399 | 16,255 | 32,730 | 14,299 | 20,141 |
| Housing fund, medical insurance and other social insurance | 19,395 | 28,552 | 36,768 | 16,515 | 21,944 |
| Other benefits | 6,077 | 8,193 | 6,783 | 3,959 | 3,601 |
| Total salary-based expenses *(b)* | 326,941 | 436,022 | 612,637 | 291,905 | 340,246 |
| Share-based compensation *(Note 29)* | 8,932 | 33,202 | 90,821 | 50,684 | (3,338) |
| Total staff compensation expense | 335,873 | 469,224 | 703,458 | 342,589 | 336,908 |

**(a) Contributions to pension plan**

No forfeited contributions were available and utilised by the Group to reduce its future pension contributions for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022.

***Mainland China***

As stipulated under the relevant rules and regulations in Mainland China, the subsidiaries operating in Mainland China contribute to state-sponsored retirement plans for its employees. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, depending on the provinces of the employees' registered residences and their current region of work, the subsidiaries contributed certain percentages of the basic salaries of its employees and had no further obligations for the actual payment of pensions or post retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

According to policies issued by the Ministry of Human Resources and Social Security of the PRC and local municipal departments in response to the Coronavirus Disease 2019 (COVID-19), certain social security relief policies have been implemented by local authorities which reduced the pension plan expenses for the period from February to December 2020.

***Hong Kong***

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme.

The Group has no further payment obligations once the contribution has been paid. The contributions are recognised as employee benefit expense when they are due.

**(b) Total salary-based expenses**

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* | |
| Salary-based expenses | | | | | |
| – Store level | 247,597 | 316,009 | 462,596 | 217,943 | 262,316 |
| – Corporate level | 79,344 | 120,013 | 150,041 | 73,962 | 77,930 |
| | 326,941 | 436,022 | 612,637 | 291,905 | 340,246 |

**(c) Five highest paid individuals**

Details of the remunerations of the five highest paid individuals in the Group during the Track Record Period are as follows:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| | | | | *(Unaudited)* | |
| Director | 1 | – | 1 | 1 | 1 |
| Non-director | 4 | 5 | 4 | 4 | 4 |
| | 5 | 5 | 5 | 5 | 5 |

The five individuals whose emoluments were the highest in the Group include 1, nil, 1 ,1 and 1 director for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 respectively, whose emoluments are reflected in Note 34. The emoluments payable to the remaining 4, 5, 4, 4 and 4 non-director highest paid individuals for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 are as follows:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* | |
| Salaries, wages and bonuses | 14,829 | 14,020 | 16,225 | 4,287 | 5,565 |
| Contributions to pension plan | 196 | 166 | 167 | 91 | 89 |
| Housing fund, medical insurance and other social insurance | 206 | 262 | 201 | 126 | 107 |
| Other benefits | 683 | 902 | 628 | 408 | 343 |
| Share-based compensation | 1,887 | 19,352 | 18,478 | 11,178 | 7,500 |
| | 17,801 | 34,702 | 35,699 | 16,090 | 13,604 |

The emoluments fell within the following band:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| | | | | *(Unaudited)* | |
| Emolument bands | | | | | |
| HKD1,500,000 to HKD2,000,000 | – | – | – | – | 2 |
| HKD2,500,000 to HKD3,000,000 | 2 | – | – | – | 1 |
| HKD3,500,000 to HKD4,000,000 | – | 3 | – | 3 | – |
| HKD5,000,000 to HKD5,500,000 | 1 | – | – | – | – |
| HKD6,500,000 to HKD7,000,000 | – | 1 | – | – | – |
| HKD7,000,000 to HKD7,500,000 | – | – | 1 | 1 | – |
| HKD9,500,000 to HKD10,000,000 | 1 | – | – | – | 1 |
| HKD10,000,000 to HKD10,500,000 | – | – | 1 | – | – |
| HKD11,500,000 to HKD12,000,000 | – | – | 1 | – | – |
| HKD13,500,000 to HKD14,000,000 | – | – | 1 | – | – |
| HKD21,000,000 to HKD21,500,000 | – | 1 | – | – | – |
| Total | 4 | 5 | 4 | 4 | 4 |

## 8 OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* | |
| **Other income** | | | | | |
| Government grants income *(a)* | 955 | 14,352 | 2,822 | 2,393 | 4,336 |
| Value-added tax additional deductions *(b)* | – | – | – | – | 14,218 |
| Interest income on discount of rental deposit | 1,466 | 1,558 | 1,602 | 741 | 1,335 |
| | 2,421 | 15,910 | 4,424 | 3,134 | 19,889 |
| **Other (losses)/gains, net** | | | | | |
| Impairment charge of right-of-use assets *(note 14)* | (1,925) | (5,154) | (2,362) | – | – |
| Impairment charge of plant and equipment *(note 13)* | (295) | (1,452) | (2,273) | – | – |
| Impairment charge of intangible assets *(note 15)* | (1) | – | – | – | – |
| Net foreign exchange (losses)/gains on operating activities | (514) | (1,020) | (439) | 494 | 805 |
| Loss on disposal of plant and equipment and intangible assets | (1,473) | (792) | (2,362) | (683) | (3,383) |
| Gain on termination of lease contracts | – | – | 4,211 | 3,957 | 454 |
| Others | 1,161 | 2,222 | 1,449 | (539) | 537 |
| | (3,047) | (6,196) | (1,776) | 3,229 | (1,587) |

(a) Government grants mainly represented exemptions on value-added tax granted by the government authorities in the PRC which were applicable to certain subsidiaries of the Group, and the additional COVID-19 government grants granted by the government authorities in the PRC during the years ended December 31, 2020 and 2021. The Group has received all the government grants income and there was no future obligation related to these subsidy income.

(b) For the six months ended June 30, 2022, other income primarily comprised of the 10% or 15% additional deduction of input VAT from output VAT applicable to certain subsidiaries of the Group (as either producer service companies or consumer service companies).

## 9 FINANCE COSTS, NET

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* | |
| Interest income on cash at bank | 1,594 | 1,159 | 1,860 | 1,008 | 890 |
| Interest expenses | (42,773) | (59,866) | (73,212) | (36,392) | (35,443) |
| – Bank borrowings | (1,049) | (10,401) | (14,171) | (7,305) | (8,760) |
| – Lease liabilities *(note 14)* | (29,713) | (37,360) | (48,659) | (23,672) | (26,326) |
| – Long-term payables | (12,011) | (12,105) | (10,382) | (5,415) | (357) |
| Guarantee fee for bank borrowings *(notes i and 22 (ii))* | (4,408) | (16,876) | (16,126) | (8,116) | (12,269) |
| Issuance cost of convertible senior ordinary shares | – | (10,226) | (9,235) | (1,368) | – |
| Net foreign exchange (losses)/gains on financing activities | (5,431) | 23,869 | 9,042 | 3,927 | (1,396) |
| | (51,018) | (61,940) | (87,671) | (40,941) | (48,218) |

(i) As of June 30, 2022, the Company has repaid the bank borrowings which were secured by the corporate guarantee from one of the shareholders, Good Taste Limited and one of the directors of the Company, and the guarantee was released accordingly. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, the related guarantee fee charged to finance costs was approximately RMB4,408,000, RMB16,876,000, RMB16,126,000, RMB8,116,000 and RMB12,269,000, respectively.

## 10 INCOME TAX EXPENSE/(CREDIT)

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* | |
| Current income tax | | | | | |
| – Mainland China corporate income tax | – | 6,373 | 21,547 | 17,872 | 19,490 |
| Deferred income tax *(Note 28)* | – | – | (28,606) | (26,764) | (9,752) |
| Income tax expense/(credit) | – | 6,373 | (7,059) | (8,892) | 9,738 |

**(i) B.V.I. profits tax**

The Company is incorporated in the British Virgin Islands as an exempted company with limited liability under the Companies Law of the British Virgin Islands and, accordingly, is exempted from payment of British Virgin Islands income tax.

**(ii) Hong Kong profits tax**

The Hong Kong profits tax rate applicable to the Group is 16.5%. No Hong Kong profits tax has been provided, as the Group have no assessable profit earned or derived in Hong Kong in the Track Record Period.

**(iii) Cayman Islands profits tax**

The Company's subsidiary is incorporated in the Cayman Islands as an exempted company with limited liability and, accordingly, is exempted from payment of the Cayman Islands income tax.

**(iv) Mainland China corporate income tax ("CIT")**

CIT is provided on the taxable income of entities within the Group incorporated in Mainland China. Except as disclosed below, the corporate income tax rate applicable to the subsidiaries incorporated in Mainland China is 25% for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022. Domino's Pizza (Ningbo) Co., Ltd. and Domino's Pizza (Dongguan) Co., Ltd. are qualified as small and micro businesses and enjoy preferential income tax rate as approved by the local tax authorities with effect from the respective dates of their establishment. The tax rates are 2.5% on taxable income for the first RMB1,000,000, tax rate of 10% on taxable income for the subsequent RMB1,000,000 to RMB3,000,000 and tax rate of 25% on taxable income over RMB3,000,000, respectively, for the year ended December 31, 2021 and the six months ended June 30, 2022.

A reconciliation from loss before income tax to tax charges is set out below:

| | Year ended December 31 | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* | |
| Loss before income tax | (181,550) | (267,677) | (478,122) | (214,115) | (85,737) |
| Tax calculated at tax rates applicable to profit/(loss) in the respective jurisdictions | (32,603) | (44,816) | (45,869) | (23,972) | (7,368) |
| Expenses not deductible for tax purpose[(i)] | 6,645 | 13,107 | 25,241 | 13,547 | 871 |
| Temporary differences and tax losses for which no deferred income tax assets were recognized | 29,980 | 38,671 | 33,643 | 26,040 | 20,374 |
| Recognition of previously temporary differences | – | – | (17,945) | (17,945) | – |
| Utilization of previous unrecognized tax losses | (4,022) | (589) | (2,129) | (6,562) | (3,779) |
| Differences of year-end final settlement | – | – | – | – | (360) |
| Tax expense/(credit) | – | 6,373 | (7,059) | (8,892) | 9,738 |

(i) Expenses not deductible for tax purpose mainly included share-based compensation and expenses not eligible for tax deduction.

## 11 LOSS PER SHARE

### (a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years/periods.

| | Year ended December 31 | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | | | *(Unaudited)* | |
| Loss attributable to owners of the Company (RMB'000) | (181,550) | (274,050) | (471,063) | (205,223) | (95,475) |
| Weighted average number of ordinary shares in issue (thousands) | 84,703 | 85,475 | 86,921 | 86,181 | 95,031 |
| Basic loss per share (RMB) | (2.14) | (3.21) | (5.42) | (2.38) | (1.00) |

### (b) Diluted

Diluted loss per share is calculated by dividing the loss excluding the effect of changes in the fair value of convertible senior ordinary shares attributable to owners of the Company by the weighted average number of ordinary shares and convertible senior ordinary shares in issue during the respective years/periods. The dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022 were the same as basic loss per share for the respective years/periods.

## 12 DIVIDENDS

No dividends have been paid or declared by the Company for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022.

**13 PLANT AND EQUIPMENT**

| | Leasehold improvements *RMB'000* | Machinery and equipment *RMB'000* | Office equipment *RMB'000* | Motor vehicles *RMB'000* | Construction in progress *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **At January 1, 2019** | | | | | | |
| Cost | 122,965 | 93,092 | 10,654 | 11,046 | 27,795 | 265,552 |
| Accumulated depreciation | (31,380) | (18,630) | (3,746) | (2,771) | – | (56,527) |
| Impairment | (181) | (655) | (1) | (175) | – | (1,012) |
| Net book amount | 91,404 | 73,807 | 6,907 | 8,100 | 27,795 | 208,013 |
| **Year ended December 31, 2019** | | | | | | |
| Opening net book amount | 91,404 | 73,807 | 6,907 | 8,100 | 27,795 | 208,013 |
| Additions | – | – | 3,713 | – | 131,437 | 135,150 |
| Transfers | 95,313 | 56,944 | – | 4,886 | (157,143) | – |
| Disposals | (299) | (668) | (267) | (194) | – | (1,428) |
| Depreciation | (31,892) | (20,732) | (2,398) | (2,715) | – | (57,737) |
| Impairment *(note 8)* | (217) | (136) | 1 | 57 | – | (295) |
| Closing net book amount | 154,309 | 109,215 | 7,956 | 10,134 | 2,089 | 283,703 |
| **As at December 31, 2019** | | | | | | |
| Cost | 217,979 | 147,029 | 12,164 | 14,837 | 2,089 | 394,098 |
| Accumulated depreciation | (63,272) | (37,718) | (4,208) | (4,667) | – | (109,865) |
| Impairment | (398) | (96) | – | (36) | – | (530) |
| Net book amount | 154,309 | 109,215 | 7,956 | 10,134 | 2,089 | 283,703 |
| **Year ended December 31, 2020** | | | | | | |
| Opening net book amount | 154,309 | 109,215 | 7,956 | 10,134 | 2,089 | 283,703 |
| Additions | – | – | 2,975 | – | 158,979 | 161,954 |
| Transfers | 89,139 | 54,208 | – | 7,599 | (150,946) | – |
| Disposals | (2,928) | (2,449) | (22) | (257) | – | (5,656) |
| Depreciation | (43,014) | (27,870) | (2,590) | (3,458) | – | (76,932) |
| Impairment *(note 8)* | (1,452) | – | – | – | – | (1,452) |
| Closing net book amount | 196,054 | 133,104 | 8,319 | 14,018 | 10,122 | 361,617 |
| **As at December 31, 2020** | | | | | | |
| Cost | 303,420 | 194,496 | 14,934 | 21,049 | 10,122 | 544,021 |
| Accumulated depreciation | (106,286) | (61,392) | (6,615) | (7,030) | – | (181,323) |
| Impairment | (1,080) | – | – | (1) | – | (1,081) |
| Net book amount | 196,054 | 133,104 | 8,319 | 14,018 | 10,122 | 361,617 |
| **Year ended December 31, 2021** | | | | | | |
| Opening net book amount | 196,054 | 133,104 | 8,319 | 14,018 | 10,122 | 361,617 |
| Additions | – | – | 2,122 | – | 167,780 | 169,902 |
| Transfers | 100,639 | 58,109 | – | 7,235 | (165,983) | – |
| Disposals | (324) | (2,219) | (188) | (809) | – | (3,540) |
| Depreciation | (55,517) | (36,072) | (2,606) | (4,461) | – | (98,656) |
| Impairment *(note 8)* | (2,273) | – | – | – | – | (2,273) |
| Closing net book amount | 238,579 | 152,922 | 7,647 | 15,983 | 11,919 | 427,050 |

| | Leasehold improvements *RMB'000* | Machinery and equipment *RMB'000* | Office equipment *RMB'000* | Motor vehicles *RMB'000* | Construction in progress *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **As at December 31, 2021** | | | | | | |
| Cost | 403,112 | 243,312 | 15,245 | 24,873 | 11,919 | 698,461 |
| Accumulated depreciation | (161,803) | (90,390) | (7,598) | (8,889) | – | (268,680) |
| Impairment | (2,730) | – | – | (1) | – | (2,731) |
| Net book amount | 238,579 | 152,922 | 7,647 | 15,983 | 11,919 | 427,050 |
| **Six months ended June 30, 2021 (Unaudited)** | | | | | | |
| Opening net book amount | 196,054 | 133,104 | 8,319 | 14,018 | 10,122 | 361,617 |
| Additions | – | – | 891 | – | 76,401 | 77,292 |
| Transfers | 45,745 | 28,427 | – | 3,064 | (77,236) | – |
| Disposals | (200) | (1,046) | (1) | (302) | – | (1,549) |
| Depreciation | (26,113) | (17,325) | (1,256) | (2,165) | – | (46,859) |
| Closing net book amount | 215,486 | 143,160 | 7,953 | 14,615 | 9,287 | 390,501 |
| **As at June 30, 2021 (Unaudited)** | | | | | | |
| Cost | 346,906 | 219,955 | 15,815 | 23,340 | 9,287 | 615,303 |
| Accumulated depreciation | (130,340) | (76,795) | (7,862) | (8,724) | – | (223,721) |
| Impairment | (1,080) | – | – | (1) | – | (1,081) |
| Net book amount | 215,486 | 143,160 | 7,953 | 14,615 | 9,287 | 390,501 |
| **Six months ended June 30, 2022** | | | | | | |
| Opening net book amount | 238,579 | 152,922 | 7,647 | 15,983 | 11,919 | 427,050 |
| Additions | – | – | 334 | – | 64,804 | 65,138 |
| Transfers | 40,929 | 21,634 | – | 3,063 | (65,626) | – |
| Disposals | (1,504) | (819) | (2) | (846) | – | (3,171) |
| Depreciation | (32,297) | (20,523) | (1,281) | (2,572) | – | (56,673) |
| Closing net book amount | 245,707 | 153,214 | 6,698 | 15,628 | 11,097 | 432,344 |
| **As at June 30, 2022** | | | | | | |
| Cost | 438,291 | 260,001 | 15,569 | 24,552 | 11,097 | 749,510 |
| Accumulated depreciation | (189,896) | (106,787) | (8,871) | (8,923) | – | (314,477) |
| Impairment | (2,688) | – | – | (1) | – | (2,689) |
| Net book amount | 245,707 | 153,214 | 6,698 | 15,628 | 11,097 | 432,344 |

## 14 LEASES

### (a) Amounts recognized in the consolidated balance sheets

The recognized right-of-use assets relate to the following types of assets:

| | As at December 31, | | | As at June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* | |
| **Right-of-use assets** | | | | | |
| Leased properties – stores and central kitchens | 451,463 | 583,268 | 625,057 | 620,669 | 662,076 |
| Leased properties – offices | 16,982 | 12,507 | 12,562 | 10,652 | 10,369 |
| **Total right-of-use assets** | 468,445 | 595,775 | 637,619 | 631,321 | 672,445 |
| **Lease liabilities** | | | | | |
| Lease liabilities – current | 98,503 | 128,046 | 141,212 | 139,466 | 162,941 |
| Lease liabilities – non-current | 386,491 | 501,535 | 540,112 | 531,038 | 572,081 |
| **Total lease liabilities** | 484,994 | 629,581 | 681,324 | 670,504 | 735,022 |

As of December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amounts of the Group's right-of-use assets and lease liabilities were denominated in RMB.

Movements in right-of-use assets are analyzed as follows:

| | Leased properties – stores and central kitchens | Leased properties – offices | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Year ended December 31, 2019** | | | |
| Opening net book amount | 342,523 | 21,445 | 363,968 |
| Additions | 205,014 | – | 205,014 |
| Depreciation | (94,149) | (4,463) | (98,612) |
| Impairment *(i)* | (1,925) | – | (1,925) |
| **Net book amount at December 31, 2019** | 451,463 | 16,982 | 468,445 |

| | Leased properties – stores and central kitchens *RMB'000* | Leased properties – offices *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **Year ended December 31, 2020** | | | |
| Opening net book amount | 451,463 | 16,982 | 468,445 |
| Additions | 260,910 | – | 260,910 |
| Depreciation | (123,951) | (4,475) | (128,426) |
| Impairment *(i)* | (5,154) | – | (5,154) |
| **Net book amount at December 31, 2020** | 583,268 | 12,507 | 595,775 |
| **Year ended December 31, 2021** | | | |
| Opening net book amount | 583,268 | 12,507 | 595,775 |
| Additions | 201,535 | 4,720 | 206,255 |
| Depreciation | (157,384) | (4,665) | (162,049) |
| Impairment *(i)* | (2,362) | – | (2,362) |
| **Net book amount at December 31, 2021** | 625,057 | 12,562 | 637,619 |
| **Six months ended June 30, 2021 (Unaudited)** | | | |
| Opening net book amount | 583,268 | 12,507 | 595,775 |
| Additions | 112,120 | – | 112,120 |
| Depreciation | (74,719) | (1,855) | (76,574) |
| **Net book amount at June 30, 2021** | 620,669 | 10,652 | 631,321 |
| **Six months ended June 30, 2022** | | | |
| Opening net book amount | 625,057 | 12,562 | 637,619 |
| Additions | 125,810 | – | 125,810 |
| Depreciation | (88,791) | (2,193) | (90,984) |
| **Net book amount at June 30, 2022** | 662,076 | 10,369 | 672,445 |

(i) For the years ended December 31, 2019, 2020 and 2021, the Group recognized impairment losses for right-of-use assets of approximately RMB1,925,000, RMB5,154,000 and RMB2,362,000 (Note 8), respectively, at the end of respective reporting years, due to the relocation plans of certain stores.

**(b) Amounts recognized in the consolidated statements of comprehensive income**

The consolidated statements of comprehensive income shows the following amounts relating to leases:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* | |
| Depreciation of right-of-use assets | | | | | |
| Leased properties – stores and central kitchens | 94,149 | 123,951 | 157,384 | 74,719 | 88,791 |
| Leased properties – offices | 4,463 | 4,475 | 4,665 | 1,855 | 2,193 |
| | 98,612 | 128,426 | 162,049 | 76,574 | 90,984 |
| Finance costs – net *(note 9)* | 29,713 | 37,360 | 48,659 | 23,672 | 26,326 |
| Expense relating to short-term leases | 5,712 | 610 | 662 | 203 | 1,191 |
| Expense relating to leases of low-value assets that are not shown above as short-term leases | 110 | 197 | 226 | 87 | 144 |
| Expense relating to variable lease payments not included in lease liabilities | 1,053 | 7,339 | 17,087 | 8,408 | 12,896 |
| | 36,588 | 45,506 | 66,634 | 32,370 | 40,557 |

Some property leases contain variable payment terms that are linked to sales generated from some stores. For some individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 7% to 14% of sales as generated from those stores. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

A 10% increase in sales across all stores in the Group with such variable lease contracts would increase total lease payments by approximately RMB105,000, RMB734,000, RMB1,709,000, RMB841,000 and RMB1,290,000 for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively.

The total cash out of lease payment is approximately RMB125,305,000, RMB157,949,000, RMB213,678,000, RMB98,458,000 and RMB111,103,000 for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively.

**15 INTANGIBLE ASSETS**

| | Goodwill | Master franchise agreement | Store franchise fees | Acquired software and website | Self-developed website and app | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at January 1, 2019** | | | | | | |
| Cost | 360,479 | 960,637 | 3,594 | 24,059 | – | 1,348,769 |
| Accumulated amortization | – | (38,329) | (346) | (3,693) | – | (42,368) |
| Impairment | – | – | (2) | – | – | (2) |
| Net book amount | 360,479 | 922,308 | 3,246 | 20,366 | – | 1,306,399 |
| **Year ended December 31, 2019** | | | | | | |
| Opening net book amount | 360,479 | 922,308 | 3,246 | 20,366 | – | 1,306,399 |
| Additions | – | – | 1,408 | 16,643 | 9,599 | 27,650 |
| Disposal | – | – | (45) | – | – | (45) |
| Amortization | – | (32,045) | (389) | (3,518) | (159) | (36,111) |
| Impairment *(note 8)* | – | – | (1) | – | – | (1) |
| Exchange difference | – | 1,342 | – | – | – | 1,342 |
| Closing net book amount | 360,479 | 891,605 | 4,219 | 33,491 | 9,440 | 1,299,234 |
| **As at December 31, 2019** | | | | | | |
| Cost | 360,479 | 962,075 | 4,912 | 40,701 | 9,599 | 1,377,766 |
| Accumulated amortization | – | (70,470) | (690) | (7,210) | (159) | (78,529) |
| Impairment | – | – | (3) | – | – | (3) |
| Net book amount | 360,479 | 891,605 | 4,219 | 33,491 | 9,440 | 1,299,234 |
| **Year ended December 31, 2020** | | | | | | |
| Opening net book amount | 360,479 | 891,605 | 4,219 | 33,491 | 9,440 | 1,299,234 |
| Additions | – | – | 4,055 | 26,809 | – | 30,864 |
| Disposal | – | – | (35) | – | – | (35) |
| Amortization | – | (31,973) | (489) | (6,788) | (960) | (40,210) |
| Exchange difference | – | (5,168) | – | – | – | (5,168) |
| Closing net book amount | 360,479 | 854,464 | 7,750 | 53,512 | 8,480 | 1,284,685 |
| **As at December 31, 2020** | | | | | | |
| Cost | 360,479 | 956,333 | 8,928 | 67,510 | 9,599 | 1,402,849 |
| Accumulated amortization | – | (101,869) | (1,178) | (13,998) | (1,119) | (118,164) |
| Net book amount | 360,479 | 854,464 | 7,750 | 53,512 | 8,480 | 1,284,685 |

| | Goodwill *RMB'000* | Master franchise agreement *RMB'000* | Store franchise fees *RMB'000* | Acquired software and website *RMB'000* | Self-developed website and app *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **Year ended December 31, 2021** | | | | | | |
| Opening net book amount | 360,479 | 854,464 | 7,750 | 53,512 | 8,480 | 1,284,685 |
| Additions | – | – | 3,098 | 10,931 | – | 14,029 |
| Disposal | – | – | (32) | – | – | (32) |
| Amortization | – | (31,846) | (994) | (9,231) | (960) | (43,031) |
| Exchange difference | – | (1,645) | – | – | – | (1,645) |
| Closing net book amount | 360,479 | 820,973 | 9,822 | 55,212 | 7,520 | 1,254,006 |
| **As at December 31, 2021** | | | | | | |
| Cost | 360,479 | 954,434 | 11,994 | 78,441 | 9,599 | 1,414,947 |
| Accumulated amortization | – | (133,461) | (2,172) | (23,229) | (2,079) | (160,941) |
| Net book amount | 360,479 | 820,973 | 9,822 | 55,212 | 7,520 | 1,254,006 |
| **Six months ended June 30, 2021 (Unaudited)** | | | | | | |
| Opening net book amount | 360,479 | 854,464 | 7,750 | 53,512 | 8,480 | 1,284,685 |
| Additions | – | – | 1,506 | 6,297 | – | 7,803 |
| Disposal | – | – | (28) | – | – | (28) |
| Amortization | – | (15,932) | (439) | (3,991) | (480) | (20,842) |
| Exchange difference | – | (721) | – | – | – | (721) |
| Closing net book amount | 360,479 | 837,811 | 8,789 | 55,818 | 8,000 | 1,270,897 |
| **As at June 30, 2021 (Unaudited)** | | | | | | |
| Cost | 360,479 | 955,509 | 10,433 | 73,807 | 9,599 | 1,409,827 |
| Accumulated amortization | – | (117,698) | (1,644) | (17,989) | (1,599) | (138,930) |
| Net book amount | 360,479 | 837,811 | 8,789 | 55,818 | 8,000 | 1,270,897 |
| **Six months ended June 30, 2022** | | | | | | |
| Opening net book amount | 360,479 | 820,973 | 9,822 | 55,212 | 7,520 | 1,254,006 |
| Additions | – | – | 827 | 7,041 | – | 7,868 |
| Disposal | – | – | (13) | – | – | (13) |
| Amortization | – | (15,942) | (589) | (6,466) | (480) | (23,477) |
| Exchange difference | – | 3,594 | – | – | – | 3,594 |
| Closing net book amount | 360,479 | 808,625 | 10,047 | 55,787 | 7,040 | 1,241,978 |
| **As at June 30, 2022** | | | | | | |
| Cost | 360,479 | 958,706 | 12,807 | 85,482 | 9,599 | 1,427,073 |
| Accumulated amortization | – | (150,081) | (2,760) | (29,695) | (2,559) | (185,095) |
| Net book amount | 360,479 | 808,625 | 10,047 | 55,787 | 7,040 | 1,241,978 |

On the date of the completion of the Acquisition (Note 1), an intangible assets of master franchise agreement as identified from the Acquisition was recognized at fair value of approximately RMB959,507,000. Goodwill of approximately RMB360,479,000, which represented the excess of total consideration over the fair value of the identified net assets acquired, was also recognized.

Before July 2017, DPZ China was jointly controlled by the Company and a third party. In July 2017, the Company issued additional shares to the third party to acquire the remaining equity interests in DPZ China. This Acquisition is accounted for using the acquisition method, where the identifiable assets and liabilities of DPZ China, including the Master Franchise Agreement, were measured at their fair values at the acquisition date.

**(a) Goodwill impairment**

The recoverable amount of the group of CGUs, which is allocated to the whole group, are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 10-year period. The Group is in the industry which is currently in the stage of rapid development. Considering the Group's store expansion plan, the Group plans to continue to grow its presence in China by expanding its geographic coverage and deepening its market penetration. As a result, the Group will be in a period of rapid development for the next few years and is expected to develop to a stable stage in the next decade. The recoverable amount of the group of CGUs is determined based on the valuation results which were also been cross checked to the valuation report as issued by an independent qualified appraisal firm, Avista Valuation Advisory Limited.

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the key assumptions as adopted in the impairment assessment are as below:

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | % | % | % | % |
| Revenue growth rate | 11.4 – 39.3 | 11.4 – 37.8 | 9.2 – 27.6 | 9.2-26.9 |
| Pre-tax discount rate | 19.9 | 19.1 | 18.3 | 18.3 |
| Terminal growth rate | 3.0 | 2.5 | 2.5 | 2.5 |

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the headroom of the group of CGUs containing goodwill are approximately RMB1,095,331,000, RMB1,603,933,000, RMB3,385,929,000 and RMB3,731,146,000, respectively.

Based on the results of the impairment assessment, the directors of the Company concluded that no impairment on goodwill has to be recognized as of the respective balance sheet dates.

***Sensitivity analysis***

Had the estimated key assumptions during the forecast period been changed as shown below, the headroom would have been decreased to the following amounts:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue amount decreases by 10% | 529,908 | 945,344 | 2,015,856 | 2,338,269 |
| Discount rate increases by 1 percentage point | 738,763 | 1,182,263 | 2,794,033 | 3,142,854 |
| Terminal growth rate decreases by 0.5 percentage point | 1,010,376 | 1,523,340 | 3,233,686 | 3,572,554 |

Therefore, the directors of the Company also concluded that any reasonable possible changes in key assumptions would not lead to impairment of the goodwill as of the respective balance sheet dates.

## 16 PARTICULARS OF SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group as at December 31, 2019, 2020, 2021 and June 30, 2022:

| Name | Place and date of incorporation/ establishment | Principal activities | Issued and paid up capital/ registered capital | Effective interest held by the Group | | | | | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | As of December 31, | | | As at June 30, | As of date of this | |
| | | | | 2019 | 2020 | 2021 | 2022 | report | |
| **Directly held:** | | | | | | | | | |
| DPZ China | Hong Kong; December 22, 2010 | Investment holding | Share capital HKD1,000 | 100% | 100% | 100% | 100% | 100% | *(b)* |
| **Indirectly held:** | | | | | | | | | |
| Pizzavest China Ltd. | Cayman Islands; April 26, 1993 | Investment holding | Share capital US$85,786,600 | 100% | 100% | 100% | 100% | 100% | *(a)* |
| Dash Investment Co., Ltd.* (達勢投資有限公司) | Mainland China; November 1, 2021 | Investment holding | US$30,000,000/ US$30,000,000 | N/A | N/A | 100% | 100% | 100% | *(c)* |
| Beijing Pizzavest Fast Food Co., Ltd.* (北京達美樂比薩餅有限公司) | Mainland China; July 22, 1996 | Restaurant management, fast-food process such as pizza, chicken products and beverages | US$16,250,000/ US$20,000,000 | 100% | 100% | 100% | 100% | 100% | *(b)* |
| Shanghai Pizzavest Fast Food Co., Ltd.* (上海達美樂比薩有限公司) | Mainland China; October 25, 2007 | Restaurant management, fast-food process such as pizza, chicken, products and beverages | US$123,100,000/ US$134,000,000 | 100% | 100% | 100% | 100% | 100% | *(b)* |
| Sanhe Municipal Domino's Pizza Co., Ltd.* (三河市達美樂比薩餅有限公司) | Mainland China; August 23, 2013 | Warehousing, central kitchen and dough production | RMB6,300,000/ RMB6,300,000 | 100% | 100% | 100% | 100% | 100% | *(b)* |
| Shenzhen Pizzavest Fast Food Co., Ltd.* (深圳達美樂餐飲管理有限公司) | Mainland China; May 23, 2018 | Restaurant management, fast-food process such as pizza, chicken products and beverages | RMB200,000,000/ RMB200,000,000 | 100% | 100% | 100% | 100% | 100% | *(b)* |
| Dongguan Domino's Food Co., Ltd.* (東莞達美樂食品有限公司) | Mainland China; June 28, 2018 | Warehousing, central kitchen and dough production | RMB5,000,000/ RMB5,000,000 | 100% | 100% | 100% | 100% | 100% | *(b)* |

| Name | Place and date of incorporation/ establishment | Principal activities | Issued and paid up capital/ registered capital | Effective interest held by the Group | | | | | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | As of December 31, | | | As at June 30, | As of date of this report | |
| | | | | 2019 | 2020 | 2021 | 2022 | | |
| Shanghai Domino's Food Co., Ltd.* (上海達美樂食品有限公司) | Mainland China; April 1, 2019 | Warehousing, central kitchen and dough production | US$3,000,000/ US$3,000,000 | 100% | 100% | 100% | 100% | 100% | *(b)* |
| Domino's Pizza (Ningbo) Co., Ltd.* (達美樂比薩(寧波)有限公司) | Mainland China; July 22, 2021 | Restaurant management, fast-food process such as pizza, chicken, products and beverages | Nil/ RMB3,000,000 | N/A | N/A | 100% | 100% | 100% | *(c)* |
| Domino's Pizza (Dongguan) Co., Ltd.* (達美樂比薩(東莞)有限公司) | Mainland China; January 13, 2022 | Restaurant management, fast-food process such as pizza, chicken, products and beverages | Nil/ RMB3,000,000 | N/A | N/A | N/A | 100% | 100% | N/A |

(a) Pizzavest China Ltd. was not subject to statutory audit requirement under the relevant rules and regulations in the jurisdiction of incorporation.

(b) The statutory financial statements of DPZ China for the years ended December 31, 2019, 2020 and 2021 were audited by PricewaterhouseCoopers. The statutory financial statements of Shanghai Pizzavest Fast Food Co., Ltd., Beijing Pizzavest Fast Food Co., Ltd., Shenzhen Pizzavest Fast Food Co., Ltd., Shanghai Domino's Food Co., Ltd., Sanhe Municipal Domino's Pizza Co., Ltd. and Dongguan Domino's Food Co., Ltd. for the years ended December 31, 2019, 2020 and 2021 were audited by PricewaterhouseCoopers Zhong Tian LLP.

(c) The statutory financial statements of Dash Investment Co., Ltd. and Domino's Pizza (Ningbo) Co., Ltd. for the year ended December 31, 2021 were audited by PricewaterhouseCoopers Zhong Tian LLP.

(d) Among the Group's PRC subsidiaries, Beijing Pizzavest Fast Food Co., Ltd., Shanghai Pizzavest Fast Food Co., Ltd. and Dash Investment Co., Ltd. are wholly owned foreign enterprises.

* The English translation is for identification purpose only. These companies do not have official English names.

## 17 FINANCIAL INSTRUMENTS BY CATEGORIES

| | As at December 31 | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial assets** | | | | |
| Financial assets carried at amortized cost | | | | |
| Trade receivables *(note 19)* | 2,318 | 3,630 | 4,581 | 4,494 |
| Other receivables *(note 20)* | 26,061 | 36,319 | 42,880 | 47,579 |
| Cash and cash equivalents *(note 21)* | 83,657 | 257,390 | 656,672 | 576,944 |
| Restricted cash *(note 21)* | 817 | 3,034 | 2,215 | 214 |
| | 112,853 | 300,373 | 706,348 | 629,231 |
| **Financial liabilities** | | | | |
| Financial liabilities at amortized cost | | | | |
| Borrowings *(note 24)* | 65,000 | 210,000 | 180,000 | 100,000 |
| Lease liabilities *(note 14)* | 484,994 | 629,581 | 681,324 | 735,022 |
| Trade payables *(note 26)* | 83,992 | 73,743 | 124,696 | 141,843 |
| Other payables (excluding salary and welfare payables and provision for restoration costs) | 178,748 | 239,294 | 236,276 | 296,241 |
| | 812,734 | 1,152,618 | 1,222,296 | 1,273,106 |
| Financial liabilities at FVPL | | | | |
| Convertible senior ordinary shares *(note 25)* | – | 275,077 | 784,426 | 826,886 |
| | 812,734 | 1,427,695 | 2,006,722 | 2,099,992 |

## 18 INVENTORIES

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw materials and consumables | 21,090 | 25,677 | 36,517 | 47,217 |

The cost of inventories recognized as "Raw materials and consumables cost" and included in the consolidated statements of comprehensive income during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, amounted to approximately RMB228,065,000, RMB310,505,000, RMB425,580,000, RMB203,574,000 and RMB247,193,000, respectively.

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, no write-downs of inventories to net realizable value were charged to profit or loss.

## 19 TRADE RECEIVABLES

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables due from third parties | 2,367 | 3,711 | 4,663 | 4,604 |
| Less: allowance for impairment of trade receivables | (49) | (81) | (82) | (110) |
| | 2,318 | 3,630 | 4,581 | 4,494 |

The movement of expected credit losses is included in note 3.1(b).

Aging of trade receivables, based on invoice date, are as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 30 days | 2,367 | 3,711 | 4,663 | 4,604 |

The carrying amounts of trade receivables approximated their fair values as at the balance sheet date due to their short-term maturities, and these balances were all denominated in RMB.

## 20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

### (a) The Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current** | | | | |
| Rental deposits *(ii)* | 22,880 | 29,490 | 31,773 | 36,452 |
| Prepayments | | | | |
| – guarantee fee *(note 22)* | 4,883 | 1,957 | – | – |
| – others | 426 | 324 | – | – |
| Less: loss allowance for financial assets at amortized cost | (167) | (391) | (401) | (411) |
| | 28,022 | 31,380 | 31,372 | 36,041 |
| **Current** | | | | |
| Prepayments | | | | |
| – guarantee fee *(note 22)* | 13,778 | 12,927 | 11,954 | – |
| – raw materials | 3,491 | 15,267 | 10,804 | 2,888 |
| – listing expenses *(i)* | – | – | 994 | 2,476 |
| – others | 1,706 | 2,817 | 3,478 | 4,328 |
| Value-added tax recoverable | 33,548 | 47,297 | 45,318 | 34,123 |
| Rental deposits *(ii)* | 1,806 | 4,563 | 9,061 | 8,327 |
| Other receivables | 1,576 | 2,718 | 2,544 | 3,349 |
| Less: loss allowance for financial assets at amortized cost | (34) | (61) | (97) | (138) |
| | 55,871 | 85,528 | 84,056 | 55,353 |
| Total of prepayments, deposits and other receivables | 83,893 | 116,908 | 115,428 | 91,394 |

(i) The listing expenses were incurred in connection with the listing of the Group and will be deducted from equity upon the listing of the Group.

(ii) Rental deposits relate to a number of independent counterparties for whom there is no recent history of default. The existing counterparties do not have significant defaults in the past.

Prepayments, deposits and other receivables are denominated in the following currencies:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| RMB | 65,038 | 101,728 | 102,593 | 90,591 |
| US$ | 18,855 | 15,180 | 12,835 | 803 |
| | 83,893 | 116,908 | 115,428 | 91,394 |

**(b) The Company**

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current** | | | | |
| Prepayments | | | | |
| – guarantee fee | 4,883 | 1,957 | – | – |
| **Current** | | | | |
| Prepayments | | | | |
| – guarantee fee | 13,778 | 12,927 | 11,954 | – |
| – listing expenses | – | – | 994 | 2,476 |
| Other receivables | 102 | 403 | 136 | 343 |
| | 13,880 | 13,330 | 13,084 | 2,819 |
| Total of prepayments and other receivables | 18,763 | 15,287 | 13,084 | 2,819 |

The Company's prepayments and other receivables are denominated in the following currencies:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| US$ | 18,763 | 15,287 | 13,084 | 2,819 |

**21 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

**(a) Cash and cash equivalents**

***(i) The Group***

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash at bank | 83,543 | 257,227 | 656,377 | 576,725 |
| Cash in hand | 114 | 163 | 295 | 219 |
| | 83,657 | 257,390 | 656,672 | 576,944 |

Cash and cash equivalents are denominated in the following currencies:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| RMB | 77,585 | 148,945 | 90,982 | 316,811 |
| US$ | 5,748 | 108,144 | 565,400 | 259,832 |
| Others | 324 | 301 | 290 | 301 |
| | 83,657 | 257,390 | 656,672 | 576,944 |

***(ii) The Company***

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash at bank | 2,727 | 3,417 | 314,419 | 169,333 |

The Company's cash and cash equivalents are denominated in the following currencies:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| US$ | 2,727 | 3,417 | 314,419 | 169,333 |

**(b) Restricted cash**

***The Group***

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Frozen deposits by court [(i)] | – | 1,382 | 752 | – |
| Restricted bank account[(ii)] | 617 | 1,452 | 1,263 | 14 |
| Others | 200 | 200 | 200 | 200 |
| | 817 | 3,034 | 2,215 | 214 |

(i) As of December 31, 2020, 2021, bank deposits of RMB1,382,000 and RMB752,000 respectively were frozen by court due to a contract disputes lawsuit. The Group has made full provision for the lawsuit. The lawsuit was settled and the deposits were released in January 2022.

(ii) As of December 31, 2019, 2020, 2021 and June 30, 2022, bank deposits of RMB617,000, RMB1,452,000, RMB1,263,000 and RMB14,000 respectively was restricted and held in designated bank accounts for repayment of bank borrowings.

Restricted cash is denominated in the following currencies:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| RMB | 817 | 3,034 | 2,215 | 214 |

## 22 SHARE CAPITAL, SHARES HELD FOR RSUS AND SHARE PREMIUM

| | Number of ordinary shares | Share capital amount *US$'000* | Share capital amount *RMB'000* | Share premium *RMB'000* | Shares held for RSUs *RMB'000* |
|---|---|---|---|---|---|
| **Ordinary shares of US$1 each** | | | | | |
| **As at January 1, 2019** | 85,575,401 | 85,575 | 578,268 | 854,496 | – |
| Issuance of shares to directors for compensation[(i)] | 168,843 | 169 | 1,162 | 2,707 | – |
| Issuance of shares to shareholders for services[(ii)] | 1,178,058 | 1,178 | 8,210 | 20,509 | – |
| Repurchase[(iii)] | (1,642,141) | (1,642) | (11,020) | (22,736) | – |
| **As at December 31, 2019** | 85,280,161 | 85,280 | 576,620 | 854,976 | – |
| **As at January 1, 2020** | 85,280,161 | 85,280 | 576,620 | 854,976 | – |
| Issuance of shares to directors for compensation[(i)] | 283,548 | 283 | 1,932 | 7,325 | – |
| Issuance of shares to a shareholder for services[(ii)] | 617,647 | 618 | 4,125 | 10,065 | – |
| **As at December 31, 2020** | 86,181,356 | 86,181 | 582,677 | 872,366 | – |
| **As at January 1, 2021** | 86,181,356 | 86,181 | 582,677 | 872,366 | – |
| Issuance of shares to directors for compensation[(i)] | 261,903 | 262 | 1,699 | 6,149 | – |
| Issuance of shares to a shareholder for services[(ii)] | 617,647 | 618 | 3,947 | 9,512 | – |
| Issuance of ordinary shares, net of issuance cost[(iii)] | 5,887,403 | 5,887 | 37,504 | 218,843 | – |
| Issuance of ordinary shares for RSUs[(iv)] | 4,023,785 | 4,024 | 25,669 | – | (25,669) |
| Transfer of vested RSUs *(Note 29)* | – | – | – | 36,868 | 12,835 |
| **As at December 31, 2021** | 96,972,094 | 96,972 | 651,496 | 1,143,738 | (12,834) |
| **(Unaudited)** | | | | | |
| **As at January 1, 2021 and June 30, 2021** | 86,181,356 | 86,181 | 582,677 | 872,366 | – |
| **As at January 1, 2022 and June 30, 2022** | 96,972,094 | 96,972 | 651,496 | 1,143,738 | (12,834) |

**Details for the year ended December 31, 2019**

(i) Pursuant to the board resolutions dated on July 17, 2019, the Board approved that the compensation to certain directors of RMB3,869,000 for their service rendered would be paid in the form of 168,843 ordinary shares of the Company in the year, which was determined based on the then fair value of the ordinary shares.

(ii) Pursuant to the board resolution dated on March 11, 2019, the Board approved the compensation of RMB5,378,000 payable to a shareholder for its financial advice and assistance rendered to the Group and such services fee shall be paid in the form of 207,470 ordinary shares of the Company in the year, which is determined based on the then fair value of the ordinary shares.

On October 9, 2019, the Group signed a facility agreement with bank with guarantee provided by one of the shareholders, Good Taste Limited and one of the directors of the Company. The total fee payable to Good Taste Limited for the provision of guarantee was US$7,522,000 (the "Guarantee Fee"), which was paid in the form of 2,205,882 ordinary shares of the Company at a nominal cash consideration of US$22,000. In 2019, the Company issued 970,588 ordinary shares and received cash of RMB68,000, as settlement of the aforesaid guarantee fee. The prepaid guarantee fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates. For the year ended December 31, 2019, the related guarantee fee charged to finance costs was RMB4,408,000 (Note 9).

(iii) In 2018, the Company provided a loan to certain employees to finance their payment on exercise price of vested options. In 2019, the Company repurchased the shares from these employees by the way of offsetting the employee loan calculated at US$3.16 per share, which is determined based on the fair value of the ordinary shares at repurchase date.

**Details for the year ended December 31, 2020**

(i) Pursuant to the board resolutions dated on September 25, 2020, the Board approved that the compensation to the certain directors of RMB9,257,000 for their service rendered would be paid in the form of 283,548 ordinary shares of the Company in the year, which was determined based on the then fair value of the ordinary shares.

(ii) In 2020, the Company issued 617,647 ordinary shares and received cash of RMB42,000, as settlement of the aforesaid Guarantee Fee. The prepaid guarantee fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates. For the year ended December 31, 2020, the related guarantee fee charged to finance costs was RMB16,876,000 (Note 9).

**Details for the year ended December 31, 2021**

(i) Pursuant to the board resolutions dated on July 20, 2021, the Board approved that the compensation to the certain directors of RMB7,848,000 for their service rendered would be paid in the form of 261,903 ordinary shares of the Company in the year, which was determined based on the then fair value of the ordinary shares.

(ii) In 2021, the Company issued 617,647 ordinary shares and received cash of RMB39,000, as settlement of the aforesaid Guarantee Fee. The prepaid guarantee fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates. For the year ended December 31, 2021, the related guarantee fee charged to finance costs was RMB16,126,000 (Note 9).

(iii) On December 10, 2021, the Company issued 5,887,403 ordinary shares to certain investors at the aggregated placing price of approximately RMB260,653,000. Share issuance costs that are directly attributable to the issuance of the new shares amounted to approximately RMB4,306,000 which were accounted for deduction against the share premium arising from the issuance of the Company's shares.

(iv) In 2021, the Group issued 4,023,785 shares to various employees under RSUs (Note 29) at nil consideration. The respective share capital amount was approximately RMB25,669,000. The ordinary shares held for the Group's RSUs were regarded as treasury shares and presented as a deduction in equity as "Shares held for RSUs".

**23 OTHER RESERVES**

**(i) The Group**

| | Currency translation differences *RMB'000* | Changes in the fair value attributable to credit risk change *RMB'000* | Share-based compensation *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **At January 1, 2019** | 25,166 | – | – | 25,166 |
| Currency translation differences | 4,505 | – | – | 4,505 |
| **As at December 31, 2019** | 29,671 | – | – | 29,671 |
| **At January 1, 2020** | 29,671 | – | – | 29,671 |
| Currency translation differences | (12,424) | – | – | (12,424) |
| Changes in the fair value attributable to credit risk change *(Note 25)* | – | (639) | – | (639) |
| **As at December 31, 2020** | 17,247 | (639) | – | 16,608 |
| **At January 1, 2021** | 17,247 | (639) | – | 16,608 |
| Currency translation differences | (1,961) | – | – | (1,961) |
| Changes in the fair value attributable to credit risk change *(Note 25)* | – | (3,776) | – | (3,776) |
| Share-based compensation expenses for employees | – | – | 82,838 | 82,838 |
| Transfer of vested RSUs | – | – | (49,703) | (49,703) |
| **As at December 31, 2021** | 15,286 | (4,415) | 33,135 | 44,006 |
| **(Unaudited)** | | | | |
| **At January 1, 2021** | 17,247 | (639) | – | 16,608 |
| Currency translation differences | (2,226) | – | – | (2,226) |
| Changes in the fair value attributable to credit risk change *(Note 25)* | – | (3,446) | – | (3,446) |
| Share-based compensation expenses for employees | – | – | 66,704 | 66,704 |
| **As at June 30, 2021** | 15,021 | (4,085) | 66,704 | 77,640 |
| **At January 1, 2022** | 15,286 | (4,415) | 33,135 | 44,006 |
| Currency translation differences | (29,166) | – | – | (29,166) |
| Changes in the fair value attributable to credit risk change *(Note 25)* | – | (49) | – | (49) |
| Share-based compensation expenses for employees | – | – | 18,064 | 18,064 |
| **As at June 30, 2022** | (13,880) | (4,464) | 51,199 | 32,855 |

**(ii) The Company**

| | Currency translation differences *RMB'000* | Changes in the fair value attributable to credit risk change *RMB'000* | Share-based compensation *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **At January 1, 2019** | 30,127 | – | – | 30,127 |
| Currency translation differences | 4,494 | – | – | 4,494 |
| **As at December 31, 2019** | 34,621 | – | – | 34,621 |
| **At January 1, 2020** | 34,621 | – | – | 34,621 |
| Currency translation differences | 2,222 | – | – | 2,222 |
| Changes in the fair value attributable to credit risk change *(Note 25)* | – | (639) | – | (639) |
| **As at December 31, 2020** | 36,843 | (639) | – | 36,204 |
| **At January 1, 2021** | 36,843 | (639) | – | 36,204 |
| Currency translation differences | 5,161 | – | – | 5,161 |
| Changes in the fair value attributable to credit risk change *(Note 25)* | – | (3,776) | – | (3,776) |
| Share-based compensation expenses for employees | – | – | 82,838 | 82,838 |
| Transfer of vested RSUs | – | – | (49,703) | (49,703) |
| **As at December 31, 2021** | 42,004 | (4,415) | 33,135 | 70,724 |
| **(Unaudited)** | | | | |
| **At January 1, 2021** | 36,843 | (639) | – | 36,204 |
| Currency translation differences | (1,321) | – | – | (1,321) |
| Changes in the fair value attributable to credit risk change *(Note 25)* | – | (3,446) | – | (3,446) |
| Share-based compensation expenses for employees | – | – | 66,704 | 66,704 |
| **As at June 30, 2021** | 35,522 | (4,085) | 66,704 | 98,141 |
| **At January 1, 2022** | 42,004 | (4,415) | 33,135 | 70,724 |
| Currency translation differences | (13,668) | – | – | (13,668) |
| Changes in the fair value attributable to credit risk change *(Note 25)* | – | (49) | – | (49) |
| Share-based compensation expenses for employees | – | – | 18,064 | 18,064 |
| **As at June 30, 2022** | 28,336 | (4,464) | 51,199 | 75,071 |

**24 BORROWING**

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Borrowings included in current liabilities:** | | | | |
| Bank borrowings – secured *(i)* | – | 30,000 | 180,000 | – |
| **Borrowings included in non-current liabilities:** | | | | |
| Bank borrowings – secured *(i)* | 65,000 | 180,000 | – | 100,000 |
| | 65,000 | 210,000 | 180,000 | 100,000 |

(i) On October 9, 2019, the Company signed a facility agreement with bank, subject to the terms of this agreement, the corresponding bank agreed to make available to the Company a RMB term loan facility in an aggregate amount of RMB210,000,000, which were secured by the corporate guarantee from Good Taste Limited (one of the shareholders of the Company), personal guarantee from James Marshall (one of the directors of the Company), and the pledges of 100% equity interest of Pizzavest China Ltd. and DPZ China, US$16,250,000 of equity of Dash Beijing and US$50,000,000 of equity of Dash Shanghai. The interest was paid every three months based on the draw down date.

As of December 31, 2019, the Group had drawn down RMB65,000,000 from the corresponding bank's available facilities and the remaining facilities of RMB145,000,000 were drawn down in 2020. Pursuant to the repayment schedule, the principal of RMB10,000,000 should be repayable on April 26, 2021, RMB20,000,000 should be repayable on October 22, 2021, RMB20,000,000 should be repayable on April 25, 2022 and eventually RMB160,000,000 should be repayable on October 21, 2022, respectively. As of June 30, 2022, the Group has fully repaid the remaining borrowings prior to their maturities.

On March 28, 2022, Dash Shanghai signed a new facility agreement with another bank, subject to the terms of this agreement, the corresponding bank agrees to make available to the Company a RMB term loan facility in an aggregate amount of RMB200,000,000, which is guaranteed by Dash Beijing. As of June 30, 2022, Dash Shanghai has drawn down RMB100,000,000 from the corresponding bank's available facilities. Pursuant to the repayment schedule, the principal of RMB100,000,000 shall be repayable on March 27, 2025. The interest is paid every three months based on the draw down date.

(ii) The Group's borrowings are all denominated in RMB. As at December 31, 2019, 2020 and 2021, the bank borrowings bear interests at fixed interest rates and the effective interest rates were 6.9825%, 6.9825% and 6.9825% per annum, respectively. As at June 30, 2022, the bank borrowings bear interests at a floating interest rate and the effective interest rate is 4.8500% per annum.

(iii) As at December 31, 2019 and 2020 and June 30, 2022, the fair value of the long-term borrowing is RMB64,850,000, RMB179,806,000 and RMB100,258,000, respectively.

## 25 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

**The Group and the Company**

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Convertible senior ordinary shares *(i)* | – | 275,077 | 784,426 | 826,886 |

(i) On May 4, 2020, the Company issued 8,651,546 fully paid convertible senior ordinary shares ("SOS First Closing"), and on January 29, 2021, the Company issued 8,142,631 fully paid convertible senior ordinary shares ("SOS Second Closing") to Domino's Pizza LLC ("DPI") (Note 33(a)(i)). The shares are redeemable at 100% of its purchase price at US$4.6234 per share and US$4.9124 per share respectively with the accrued interests no less than an amount equal to the simple interest accruing annually at the rate of 15% on the earliest of May 4, 2024, which is the fourth anniversary of the issue date of SOS First Closing, if the Company fails to finish an IPO or the occurrence of a material breach of any covenants under a shareholders agreement with DPI.

On December 10, 2021, the Company issued 1,306,842 fully paid convertible senior ordinary shares (the "2021 SOS") to DPI, which are redeemable at 100% of its purchase price at US$6.9500 per share with the accrued interests no less than an amount equal to the simple interest accruing annually at the rate of 8% on the earliest of May 4, 2024, which is the fourth anniversary of the issue date of SOS First Closing, if the Company fails to finish an IPO or the occurrence of a material breach of any covenants under a shareholders agreement with DPI.

The convertible senior ordinary shares were classified as financial liabilities at fair value through profit or loss ("FVPL") and initially recognized at fair value and subsequently measured at fair value as well.

The movement of the convertible senior ordinary shares are set out as below:

| | SOS First Closing | SOS Second Closing | 2021 SOS | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at January 1, 2019 and 2020** | – | – | – | – |
| Issuance of SOS First Closing | 282,757 | – | – | 282,757 |
| Fair value changes charged to profit or loss | 13,933 | – | – | 13,933 |
| Fair value changes charged to other comprehensive income | 639 | – | – | 639 |
| Exchange difference | (22,252) | – | – | (22,252) |
| **As at December 31, 2020** | 275,077 | – | – | 275,077 |

| | SOS First Closing *RMB'000* | SOS Second Closing *RMB'000* | 2021 SOS *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **As at January 1, 2021** | 275,077 | – | – | 275,077 |
| Issuance of SOS Second Closing | – | 258,835 | – | 258,835 |
| Issuance of 2021 SOS | – | – | 57,858 | 57,858 |
| Fair value changes charged to profit or loss | 105,169 | 96,131 | – | 201,300 |
| Fair value changes charged to other comprehensive income | 1,984 | 1,792 | – | 3,776 |
| Exchange difference | (7,529) | (4,941) | 50 | (12,420) |
| **As at December 31, 2021** | 374,701 | 351,817 | 57,908 | 784,426 |
| **(Unaudited)** | | | | |
| **As at January 1, 2021** | 275,077 | – | – | 275,077 |
| Issuance of SOS Second Closing | | 258,835 | | 258,835 |
| Fair value changes charged to profit or loss | 44,773 | 38,611 | – | 83,384 |
| Fair value changes charged to other comprehensive income | 1,509 | 1,937 | – | 3,446 |
| Exchange difference | (2,963) | (634) | – | (3,597) |
| **As at June 30, 2021** | 318,396 | 298,749 | – | 617,145 |
| **As at January 1, 2022** | 374,701 | 351,817 | 57,908 | 784,426 |
| Fair value changes charged to profit or loss | 524 | 550 | 5 | 1,079 |
| Fair value changes charged to other comprehensive income | 24 | 25 | – | 49 |
| Exchange difference | 19,743 | 18,538 | 3,051 | 41,332 |
| **As at June 30, 2022** | 394,992 | 370,930 | 60,964 | 826,886 |

The fair value of convertible senior ordinary shares was principally determined through the application of discounted cash flow and equity allocation. Between the date of issuance and December 31, 2020, 2021 and June 30, 2022, the equity value of the Company increased due to the expansion in the Group's business volume.

As at December 31, 2020 and 2021 and as at June 30, 2022, the key assumptions as adopted in the fair value determination are as below:

| | As at December 31, 2020 | 2021 | As at June 30, 2022 |
|---|---|---|---|
| | % | % | % |
| Revenue growth rate | 11.4-37.8 | 9.2-27.6 | 9.2-26.9 |
| Pre-tax discount rate | 19.1 | 18.3 | 18.3 |
| Terminal growth rate | 2.5 | 2.5 | 2.5 |
| Volatility | 41.8 | 40.0 | 40.0 |

The valuation of the convertible senior ordinary shares as of the respective balance sheet dates, was undertaken by Avista Valuation Advisory Limited, an independent qualified professional valuer.

*Sensitivity analysis*

Below is a sensitivity analysis based on the assumption that (i) estimated revenue, (ii) discount rate, (iii) the terminal growth rate or (iv) volatility has been changed. Had the estimated assumptions during the forecast period changed as shown below, the fair value of convertible senior ordinary shares would have changed to the following amounts:

| | As at December 31, | | As at June 30, |
|---|---|---|---|
| | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue amount decrease by 10% | 209,205 | 618,987 | 657,005 |
| Discount rate increases by 1 percentage point | 248,389 | 711,688 | 753,705 |
| Terminal growth rate decrease by 0.5 percentage point | 268,731 | 765,617 | 807,090 |
| Volatility decrease by 5 percentage | 274,174 | 781,906 | 824,646 |

The key terms of the convertible senior ordinary shares are summarized as follows:

**(a) Voting and dividend participating rights**

All convertible senior ordinary shares shall have the right to one vote on any resolution of shareholders of the Company, have equal rights with regard to dividends, and have equal rights with regard to distributions of the surplus assets of the Company.

**(b) Conversion rights**

Each convertible senior ordinary shares shall be convertible, at the option of the holder thereof and without the payment of any additional consideration, at any time into one fully-paid and non-assessable ordinary share. Without any action being required by the holder of such shares and whether or not the certificates representing such shares are returned to the Company or its registered agent, the convertible senior ordinary shares shall automatically be converted into ordinary shares upon the closing of an IPO.

**(c) Redemption feature**

At any time following the earliest to occur of (a) the fourth (4th) anniversary of the SOS First Closing if an IPO has not occurred by then, or (b) a material breach by the Company of any covenants under a shareholders agreement, the Company shall redeem all the subject shares by paying the redemption price in one lump sum in immediately available funds in U.S. Dollars to the respective convertible senior ordinary shareholders no more than forty-five (45) days from the date of the redemption notice. If the Company's legally available funds are insufficient to effectuate the redemption in full, the Company shall effectuate the redemption with respect to any portion of the shares that it is legally permitted to effectuate and, with respect to any portion of the redemption price not paid by the Company in respect of any subject share requested to be redeemed on the redemption price payment date, the Company shall deliver to each convertible senior ordinary shareholder that holds such unredeemed subject shares a fifteen percent (15%) interest per annum for both the SOS First Closing and the SOS Second Closing, and eight percent (8%) interest for the 2021 SOS per annum, promissory note issued in favor of such convertible senior ordinary shareholder by the Company for the amount of Redemption Price payable for such unredeemed Subject Shares, with a term of twelve (12) months from the redemption price payment date.

**(d) Liquidation right**

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the Shareholders (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed to the Shareholders of the Company in the following order and steps:

(i) to each holder of a convertible senior ordinary share prior and in preference to any distribution of any of the assets or funds of the Company to the holders of any other class or series of shares by reason of their ownership of such shares, an amount equal to one hundred percent (100%) of the original subscription price of such convertible senior ordinary share, plus a return on each convertible senior ordinary share of no less than an amount equal to the simple interest accruing annually based on a three hundred and sixty-five (365) day calendar year at the rate of fifteen percent (15%) for both the SOS First Closing and the SOS Second Closing, and eight percent (8%) for the 2021 SOS, calculated from the date of issuance of such convertible senior ordinary share, plus any declared but unpaid dividends of such convertible senior ordinary share as applicable; if the assets and funds thus distributed among the holders of the convertible senior ordinary shares shall be insufficient to permit the payment to such holders of the full convertible senior ordinary share amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the convertible senior ordinary shares in proportion to the aggregate convertible senior ordinary share amount each such holder is otherwise entitled to receive in accordance with the terms of the convertible senior ordinary shares; then (ii) to each holder of shares on an as-converted-to-ordinary shares basis (other than holders of the convertible senior ordinary shares), any remaining funds or assets of the Company legally available for distribution to the shareholders.

**26 TRADE PAYABLES**

The aging analysis of trade payables, based on invoice date, were as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| – Within 3 months | 83,263 | 73,160 | 120,863 | 137,410 |
| – Between 4 months to 6 months | 729 | 501 | 3,831 | 734 |
| – Over 6 months | – | 82 | 2 | 3,699 |
| | 83,992 | 73,743 | 124,696 | 141,843 |

The carrying amounts of trade payables approximated their fair values as at the respective balance sheet dates due to their short-term maturities, and these balances were all denominated in RMB.

## 27 ACCRUALS AND OTHER PAYABLES

### (a) The Group

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current** | | | | |
| Payables for stock appreciation rights | 6,318 | 29,780 | 21,305 | – |
| Payables for MFA[(i)] | 63,220 | – | – | – |
| Provision for restoration costs | 10,924 | 10,417 | 9,944 | 6,891 |
| | 80,462 | 40,197 | 31,249 | 6,891 |
| **Current** | | | | |
| Payables for stock appreciation rights | – | – | 7,970 | 2,018 |
| Salary and welfare payables | 63,563 | 82,997 | 114,119 | 103,360 |
| Payables for MFA[(i)] | 12,954 | 68,554 | – | – |
| Payables for plant and equipment and intangible assets | 32,037 | 66,389 | 65,510 | 69,484 |
| Accrued expenses[(ii)] | 65,403 | 88,670 | 148,095 | 199,703 |
| Accrued listing expenses | – | – | 8,408 | 7,383 |
| Others | 5,134 | 15,681 | 14,263 | 19,671 |
| | 179,091 | 322,291 | 358,365 | 401,619 |
| **Total accruals and other payables** | 259,553 | 362,488 | 389,614 | 408,510 |

(i) The payables for MFA represent the payables for the master franchise fee to DPIF (Note 33(c)(i)). For the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, the cash payments of the MFA amounted to RMB13,952,000, RMB13,050,000, RMB76,508,000 RMB12,736,000 and nil, respectively, which was in accordance with the payment schedule as set out in the MFA agreement. The payables were fully settled by the Group in December 2021.

(ii) Accrued expenses include accruals for advertising and promotion expenses, accrued information technology expenses, accrued professional service expenses, accrued utilities expenses, accrued store operation expenses and accrued royalty expenses.

The carrying amounts of accruals and other payables approximated their fair values.

Accruals and other payables are denominated in the following currencies:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| RMB | 163,628 | 255,358 | 332,300 | 377,819 |
| US$ | 95,925 | 107,130 | 57,314 | 30,691 |
| | 259,553 | 362,488 | 389,614 | 408,510 |

**(b) The Company**

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current** | | | | |
| Payables for stock appreciation rights | 6,318 | 29,780 | 21,305 | – |
| **Current** | | | | |
| Payables for stock appreciation rights | – | – | 7,970 | 2,018 |
| Salary and welfare payables | 3,320 | 4,202 | 5,403 | 12,932 |
| Accrued expenses[(i)] | 2,681 | 1,775 | 7,912 | 3,612 |
| Accrued listing expenses | – | – | 8,408 | 7,383 |
| Others | 1,001 | 936 | 628 | 660 |
| | 7,002 | 6,913 | 30,321 | 26,605 |
| **Total accruals and other payables** | 13,320 | 36,693 | 51,626 | 26,605 |

(i) Accrued expenses include accruals for professional service expenses.

The carrying amounts of accruals and other payables approximated their fair values.

Accruals and other payables are denominated in the following currencies:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| US$ | 13,320 | 36,693 | 51,626 | 26,605 |

## 28 DEFERRED INCOME TAX

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Deferred income tax assets – gross | | | | |
| – Expected to be recovered within one year | 11,786 | 23,762 | 50,263 | 48,188 |
| – Expected to be recovered after one year | 105,325 | 125,182 | 137,748 | 158,281 |
| | 117,111 | 148,944 | 188,011 | 206,469 |
| Set-off of deferred income tax liabilities | (117,111) | (148,944) | (159,405) | (168,111) |
| **Net deferred income tax assets** | – | – | 28,606 | 38,358 |
| Deferred income tax liabilities – gross | | | | |
| – Expected to be settled within one year | 11,786 | 23,762 | 20,794 | 14,062 |
| – Expected to be settled after one year | 105,325 | 125,182 | 138,611 | 154,049 |
| | 117,111 | 148,944 | 159,405 | 168,111 |
| Set-off of deferred income tax assets | (117,111) | (148,944) | (159,405) | (168,111) |
| **Net deferred income tax liabilities** | – | – | – | – |

### (a) Deferred income tax assets

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Lease liabilities | 117,111 | 148,944 | 169,575 | 178,004 |
| Accruals | – | – | 16,288 | 22,409 |
| Others | – | – | 2,148 | 6,056 |
| | 117,111 | 148,944 | 188,011 | 206,469 |

The movement of the deferred income tax assets are set out as below:

| | Lease liabilities | Accruals | Others | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| As of January 1, 2019 | 89,480 | – | – | 89,480 |
| Credited to profit or loss | 27,631 | – | – | 27,631 |
| As of December 31, 2019 | 117,111 | – | – | 117,111 |
| Credited to profit or loss | 31,833 | – | – | 31,833 |
| As of December 31, 2020 | 148,944 | – | – | 148,944 |
| Credited to profit or loss | 20,631 | 16,288 | 2,148 | 39,067 |
| As of December 31, 2021 | 169,575 | 16,288 | 2,148 | 188,011 |
| **(Unaudited)** | | | | |
| As of January 1, 2021 | 148,944 | – | – | 148,944 |
| Credited to profit or loss | 16,630 | 14,888 | 4,132 | 35,650 |
| As of June 30, 2021 | 165,574 | 14,888 | 4,132 | 184,594 |
| As of January 1, 2022 | 169,575 | 16,288 | 2,148 | 188,011 |
| Credited to profit or loss | 8,429 | 6,121 | 3,908 | 18,458 |
| As of June 30, 2022 | 178,004 | 22,409 | 6,056 | 206,469 |

**(b) Deferred income tax liabilities**

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Right-of-use assets | 117,111 | 148,944 | 159,405 | 168,111 |

The movement of the deferred income tax liabilities are set out as below:

| | Right-of-use assets<br>*RMB'000* |
|---|---|
| As of January 1, 2019 | 89,480 |
| Charged to profit or loss | 27,631 |
| As of December 31, 2019 | 117,111 |
| Charged to profit or loss | 31,833 |
| As of December 31, 2020 | 148,944 |
| Charged to profit or loss | 10,461 |
| As at December 31, 2021 | 159,405 |
| **(Unaudited)** | |
| As of January 1, 2021 | 148,944 |
| Charged to profit or loss | 8,886 |
| As of June 30, 2021 | 157,830 |
| As of January 1, 2022 | 159,405 |
| Charged to profit or loss | 8,706 |
| As of June 30, 2022 | 168,111 |

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the Group did not recognize deferred income tax assets of RMB46,254,000, RMB58,202,000, RMB72,315,000 and RMB72,965,000 in respect of tax losses of approximately RMB185,014,000, RMB232,809,000, RMB289,258,000 and RMB291,859,000, respectively.

Deductible losses that are not recognized as deferred income tax assets will be expired as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| – 2020 | 31,855 | – | – | – |
| – 2021 | 11,993 | 10,687 | – | – |
| – 2022 | 16,977 | 16,977 | 16,977 | 2,960 |
| – 2023 | 61,521 | 61,521 | 61,521 | 61,030 |
| – 2024 | 62,668 | 69,295 | 69,295 | 69,295 |
| – 2025 | – | 74,329 | 74,329 | 74,329 |
| – 2026 | – | – | 67,136 | 66,529 |
| – 2027 | – | – | – | 17,716 |
| | 185,014 | 232,809 | 289,258 | 291,859 |

## 29 SHARE-BASED COMPENSATION EXPENSE/(REVERSAL)

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* | |
| Directors' compensation | 6,788 | 8,506 | 7,805 | 3,928 | 6,676 |
| Stock appreciation rights *(note a)* | 2,144 | 24,696 | 178 | (19,948) | (28,078) |
| RSUs *(note b)* | – | – | 82,838 | 66,704 | 18,064 |
| Subtotal – Share-based compensation expense for employees including directors | 8,932 | 33,202 | 90,821 | 50,684 | (3,338) |
| Share-based compensation for guarantee for bank borrowings *(note 22)* | 4,408 | 16,876 | 16,126 | 8,116 | 12,269 |
| Total | 13,340 | 50,078 | 106,947 | 58,800 | 8,931 |

**(a) Stock appreciation rights**

On January 1, 2018, the Company adopted the SAR to encourage key employees and directors to contribute to the success of the Group and to operate and manage the Group's business in a manner that will provide for the Group's long-term growth and profitability.

The first 50% of SAR will be vested up to 12.5% as of each of the first, second, third and fourth anniversaries of the vesting commencement, subject to the achievement of certain performance-based metrics. The other 50% will be vested on the occurrence of an IPO and subject to such participant's continuous service from the grant date through the IPO date.

The awards granted by the Company gives the employee the right to receive cash of which the value is dependent on the appreciation in the Company's equity value between the grant date and the exercise date. Such amount is payable by the Company upon the completion of an IPO.

Total expenses arising from the stock appreciation rights charged to profit or loss for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022 amounted to approximately RMB2,144,000, RMB24,696,000, RMB28,156,000, RMB8,030,000 and RMB1,703,000, respectively.

On January 1, 2021, the Group cancelled the SAR for some employees and has reversed expenses of approximately RMB27,978,000 accordingly.

On April 30, 2022, the Group cancelled the SAR for the remaining employees and reversed expenses of RMB29,781,000 in 2022. At this point, the Group has cancelled the SAR for all existing employees. The Group cancelled the cash settled SAR and granted equity settled RSUs instead for long term incentive purposes.

The key assumptions applied in the determination of exit value of the Company include (i) estimated revenue amount, (ii) discount rate or (iii) the terminal growth rate as below:

| | 2019 | 2020 | 2021 | June 30, 2021 | June 30, 2022 |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| | | | | *(Unaudited)* | |
| Revenue increase rate | 11.4 – 39.3 | 11.4 – 37.8 | 9.2 – 27.6 | 10.4 – 33.5 | 9.2 – 26.9 |
| Discount rate | 19.9 | 19.1 | 18.3 | 19.1 | 18.3 |
| Terminal growth rate | 3.0 | 2.5 | 2.5 | 2.5 | 2.5 |

The exit equity value was determined based on the valuation results from an independent qualified appraisal firm, Avista Valuation Advisory Limited.

**(b) RSUs**

According to the board resolution dated January 1, 2021, the Company set up a share incentive plan (the "2021 Plan") with a maximum aggregate 7,000,000 ordinary shares that may be issued under the 2021 Plan. On the same date, award agreements were entered with various employees which granted a total of 4,023,785 restricted share units.

Pursuant to the board resolution and award agreements, all the 4,023,785 restricted share units were granted and vested immediately on January 1, 2021. However, 50% of each employee's vested RSUs and the underlying ordinary shares issued to the employees will be forfeited and terminated if the employees leave the Company before the completion of the IPO of the Company, which was treated as a vesting condition in accounting.

According to the board resolution dated April 30, 2022, the Company granted 1,266,075 restricted share units to certain employees. There are various vesting conditions, either vest on the completion of the IPO of the Company or vest with service conditions.

Expenses arising from this equity settled share-based compensation amounted to approximately RMB82,838,000, RMB66,704,000 and RMB18,064,000, which were recognized in profit or loss for the year ended December 31, 2021 and the six months ended June 30, 2021 and 2022, respectively.

The fair value of the shares granted and the key assumptions to the valuation at the grant date are summarized as below:

| | As at January 1, 2021 | As at April 30, 2022 |
|---|---|---|
| Fair value of the shares granted (US$ per share) | 3.83 | 6.20 |
| Revenue growth rate | 11.4% – 37.8% | 9.2% – 26.9% |
| Pre-tax discount rate | 19.1% | 18.3% |
| Terminal growth rate | 2.5% | 2.5% |

| | Numbers of RSUs |
|---|---|
| **Outstanding as at December 31, 2019 and 2020** | – |
| Granted during the year | 4,023,785 |
| Vested during the year | (2,011,893) |
| **Outstanding as at December 31, 2021** | 2,011,892 |
| **(Unaudited)** | |
| **Outstanding as at December 31, 2020** | – |
| Granted during the period | 4,023,785 |
| Vested during the period | (2,011,893) |
| **Outstanding as at June 30, 2021** | 2,011,892 |
| **Outstanding as at December 31, 2021** | 2,011,892 |
| Granted during the period | 1,266,075 |
| Vested during the period | (209,595) |
| **Outstanding as at June 30, 2022** | 3,068,372 |

## 30 INVESTMENTS IN SUBSIDIARIES

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest in subsidiaries[(i)] | 1,384,777 | 1,660,010 | 1,919,426 | 2,046,918 |
| Deemed investments arising from share-based compensation[(ii)] | 6,318 | 29,780 | 111,155 | 106,739 |
| Amounts due from subsidiaries[(iii)] | 316,273 | 295,946 | 289,222 | 304,352 |
| | 1,707,368 | 1,985,736 | 2,319,803 | 2,458,009 |

(i) Details of the subsidiaries of the Company are disclosed in Note 16.

(ii) The amount represents share-based compensation expenses arising from the grant of stock appreciation rights and RSUs of the Company to employees and a director of certain subsidiaries in consideration for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries.

(iii) The amount represents payments on behalf of subsidiaries and the Company has no plan to recover these amounts in the foreseeable future.

## 31 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

### (a) Cash generated from in operations

| | Note | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* |
| Loss before income tax | | (181,550) | (267,677) | (478,122) | (214,115) | (85,737) |
| Adjustments for: | | | | | | |
| Depreciation of plant and equipment | *13* | 57,737 | 76,932 | 98,656 | 46,859 | 56,673 |
| Depreciation of right-of-use assets | *14* | 98,612 | 128,426 | 162,049 | 76,574 | 90,984 |
| Amortization of intangible assets | *15* | 36,111 | 40,210 | 43,031 | 20,842 | 23,477 |
| Fair value losses on financial liabilities at FVPL | *25* | – | 13,933 | 201,300 | 83,384 | 1,079 |
| Finance costs | *9* | 52,612 | 63,099 | 89,531 | 41,949 | 49,108 |
| Share-based compensation expense/(reversal), net | *29* | 8,932 | 33,202 | 90,821 | 50,684 | (3,338) |
| Impairment of plant and equipment, right-of-use assets and intangible assets | *8* | 2,221 | 6,606 | 4,635 | – | – |
| Provision for impairment of trade and other receivables, net | | 234 | 283 | 47 | (16) | 79 |
| Interest income | *8, 9* | (3,060) | (2,717) | (3,462) | (1,749) | (2,225) |
| Loss on disposal of plant and equipment and intangible assets | *8* | 1,473 | 792 | 2,362 | 683 | 3,383 |
| Gain on termination of lease contracts | *8* | – | – | (4,211) | (3,957) | (454) |
| Changes in working capital: | | | | | | |
| Increase in inventories | | (5,577) | (4,587) | (10,840) | (2,297) | (10,700) |
| (Increase)/decrease in prepayments and other receivables | | (11,675) | (26,776) | 7,368 | 8,487 | 17,456 |
| Decrease/(increase) in trade receivables | | 1,058 | (1,344) | (952) | (15) | 59 |
| (Increase)/decrease in restricted cash | | (817) | (2,217) | 819 | 828 | 752 |
| Increase/(decrease) in trade payables | | 25,680 | (10,249) | 50,953 | 22,454 | 17,147 |
| Increase in contract liabilities | | – | 5,502 | 5,941 | 4,163 | 3,853 |
| Increase in accruals and other payables | | 42,356 | 50,125 | 78,536 | 29,090 | 32,200 |
| Cash generated from operations | | 124,347 | 103,543 | 338,462 | 163,848 | 193,796 |

**(b) Proceeds from disposal of plant and equipment**

| | Note | Year ended December 31, 2019 | 2020 | 2021 | Six months ended June 30, 2021 | 2022 |
|---|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* |
| Net book amount – disposal | *13* | 1,428 | 5,656 | 3,540 | 1,549 | 3,171 |
| Losses on disposal of plant and equipment | | (1,428) | (757) | (2,330) | (655) | (3,171) |
| Proceeds from disposal of plant and equipment | | – | 4,899 | 1,210 | 894 | – |

**(c)** Significant non-cash transactions include the repurchase of shares from employees (Note 22) and share-based compensations or payments (Note 29). There were no other significant non-cash investing and financing activities for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022.

**(d) Net debt reconciliation**

This section sets out an analysis of net debt and the movements in net debt for each of the years/periods presented.

| **Net debt** | As at December 31, 2019 | 2020 | 2021 | As at June 30, 2021 | 2022 |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* |
| Cash and cash equivalents | 83,657 | 257,390 | 656,672 | 461,701 | 576,944 |
| Restricted cash | 817 | 3,034 | 2,215 | 2,206 | 214 |
| Borrowings – repayable within one year (including interest payable) | (1,049) | (31,841) | (181,449) | (41,611) | (135) |
| Borrowings – repayable after one year | (65,000) | (180,000) | – | (160,000) | (100,000) |
| Financial liabilities at FVPL | – | (275,077) | (784,426) | (617,145) | (826,886) |
| Lease liabilities – payable within one year | (98,503) | (128,046) | (141,212) | (139,466) | (162,941) |
| Lease liabilities – payable after one year | (386,491) | (501,535) | (540,112) | (531,038) | (572,081) |
| Long term payable – within one year | (12,954) | (68,554) | – | (59,981) | – |
| Long term payable – after one year | (63,220) | – | – | – | – |
| **Net debt** | (542,743) | (924,629) | (988,312) | (1,085,334) | (1,084,885) |
| Cash and cash equivalents | 83,657 | 257,390 | 656,672 | 461,701 | 576,944 |
| Restricted cash | 817 | 3,034 | 2,215 | 2,206 | 214 |
| Gross debt | (627,217) | (1,185,053) | (1,647,199) | (1,549,241) | (1,662,043) |
| **Net debt** | (542,743) | (924,629) | (988,312) | (1,085,334) | (1,084,885) |

| | | | Liabilities from financing activities | | | | |
|---|---|---|---|---|---|---|---|
| | Cash and cash equivalents | Restricted cash | Lease liabilities | Long term payable | Borrowings and interest payable | Financial liabilities at FVPL | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Net debt as at January 1, 2019** | 216,862 | – | (370,486) | (77,385) | – | – | (231,009) |
| Cash flows | (131,888) | 817 | 118,430 | 13,952 | (65,000) | – | (63,689) |
| Recognition of right-of- use-assets | – | – | (203,225) | – | – | – | (203,225) |
| Other non-cash movements | (1,317) | – | (29,713) | (12,741) | (1,049) | – | (44,820) |
| **Net debt as at December 31, 2019** | 83,657 | 817 | (484,994) | (76,174) | (66,049) | – | (542,743) |
| Cash flows | 184,704 | 2,217 | 149,803 | 13,050 | (135,391) | (282,757) | (68,374) |
| Recognition of right-of- use-assets | – | – | (257,030) | – | – | – | (257,030) |
| Other non-cash movements | (10,971) | – | (37,360) | (5,430) | (10,401) | 7,680 | (56,482) |
| **Net debt as at December 31, 2020** | 257,390 | 3,034 | (629,581) | (68,554) | (211,841) | (275,077) | (924,629) |
| Cash flows | 393,334 | (819) | 195,703 | 76,508 | 44,563 | (316,693) | 392,596 |
| Recognition of right-of- use-assets | – | – | (202,998) | – | – | – | (202,998) |
| Other non-cash movements | 5,948 | – | (44,448) | (7,954) | (14,171) | (192,656) | (253,281) |
| **Net debt as at December 31, 2021** | 656,672 | 2,215 | (681,324) | – | (181,449) | (784,426) | (988,312) |
| **(Unaudited)** | | | | | | | |
| **Net debt as at January 1, 2021** | 257,390 | 3,034 | (629,581) | (68,554) | (211,841) | (275,077) | (924,629) |
| Cash flows | 202,354 | (828) | 89,760 | 12,736 | 17,535 | (258,835) | 62,722 |
| Recognition of right-of- use-assets | – | – | (110,968) | – | – | – | (110,968) |
| Other non-cash movements | 1,957 | – | (19,715) | (4,163) | (7,305) | (83,233) | (112,459) |
| **Net debt as at June 30, 2021** | 461,701 | 2,206 | (670,504) | (59,981) | (201,611) | (617,145) | (1,085,334) |
| **Net debt as at January 1, 2022** | 656,672 | 2,215 | (681,324) | – | (181,449) | (784,426) | (988,312) |
| Cash flows | (91,785) | (752) | 96,872 | – | 88,824 | – | 93,159 |
| Recognition of right-of- use-assets | – | – | (124,698) | – | – | – | (124,698) |
| Other non-cash movements | 12,057 | (1,249) | (25,872) | – | (7,510) | (42,460) | (65,034) |
| **Net debt as at June 30, 2022** | 576,944 | 214 | (735,022) | – | (100,135) | (826,886) | (1,084,885) |

## 32 COMMITMENTS

### (a) Capital commitments

The table below sets forth the Group's capital commitments as of the respective balance sheet dates:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Contracted but not provided for | 64,836 | 67,558 | 61,137 | 35,006 |

### (b) Lease commitments

Future minimum short-term and low-value leases payables under non-cancellable operating leases of the Group as at the respective balance sheet dates are as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| No later than 1 year | 296 | 663 | 1,042 | 1,102 |

## 33 RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions.

The shareholders who have significant influence over the Group, directors, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the Directors, the related party transactions were carried out in normal course of business and at terms negotiated between the Group and the respective related parties.

### (a) Related parties of the Group

| Name of related parties | Relationship |
|---|---|
| DPI | Significant influences over the Company |
| DPIF | Subsidiary company of DPI |
| Domino's Pizza Distribution LLC ("DPD") | Subsidiary company of DPI |
| Good Taste Limited ("GTL") | A shareholder |
| James Marshall | A director of the Company |

*Note:*

After DPI purchased convertible senior ordinary share (note 25) issued by the Company on May 4, 2020, DPI has significant influence on the Company and has the right to designate a director representative in the board of directors of the Company and DPIF and DPD became related parties of the Company since then.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the Track Record Period, and balances arising from related party transactions as at the respective balance sheet dates.

**(b) Transactions with related parties**

| | | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | *(Unaudited)* | |
| (i) | Pulse license* fee and enhancement fee | | | | | |
| | – DPD | – | 1,626 | 3,323 | 2,259 | 2,766 |

* store operation system authorized for use by DPD at an agreed fee.

| | | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | *(Unaudited)* | |
| (ii) | Store franchise fees | | | | | |
| | – DPIF | – | 4,152 | 3,190 | 1,401 | 1,125 |

| | | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | *(Unaudited)* | |
| (iii) | Royalty fee* | | | | | |
| | – DPIF | – | 22,464 | 43,589 | 22,714 | 25,298 |

* a sale-based royalty under the franchise agreement with DPIF, which was charged by DPIF when each sales order ocurred.

| | | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | *(Unaudited)* | |
| (iv) | Director service fee | | | | | |
| | – DPI | – | 843 | 1,193 | 601 | 605 |
| | – GTL | 2,150 | 3,173 | 3,031 | 1,526 | 2,346 |
| | | 2,150 | 4,016 | 4,224 | 2,127 | 2,951 |

| | | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | *(Unaudited)* | |
| (v) | Guarantee fee | | | | | |
| | – GTL and James Marshall | 4,408 | 16,876 | 16,126 | 8,116 | 12,269 |

During the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, the Group's bank borrowings and banking facilities were secured by Good Taste Limited and the personal guarantee from James Marshall as set out in Note 24. The guarantee was released in April, 2022.

The above related party transactions were carried out on terms mutually agreed among the parties in concern.

**(c) Balances with related parties**

**Non-trade in nature:**

Amounts due to related parties

| | | As at December 31, | | | As at June 30, |
|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| (i) | Accruals and other payables | | | | |
| | – DPIF | 76,174 | 68,554 | – | 27,100 |
| | – DPD | – | – | – | 2,837 |
| | | 76,174 | 68,554 | – | 29,937 |

The non-trade balances will be settled prior to Listing.

Prepayments to related parties

| | | As at December 31, | | | As at June 30, |
|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| (i) | Prepayment-non current | | | | |
| | – GTL | 4,883 | 1,957 | – | – |

| | | Year ended December 31, | | | As at June 30, |
|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| (ii) | Prepayment- current | | | | |
| | – GTL | 13,778 | 12,927 | 11,954 | – |

**(d) Key management compensation**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 34 and certain of the highest paid employees as disclosed in note 7(c), is as follows:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* | |
| Salaries, wages and bonuses | 14,829 | 12,459 | 25,357 | 8,018 | 7,959 |
| Contributions to pension plan | 196 | 161 | 210 | 106 | 119 |
| Housing fund, medical insurance and other social insurance | 206 | 208 | 279 | 126 | 141 |
| Other benefits | 683 | 670 | 766 | 372 | 413 |
| Share-based compensation *(i)* | 1,887 | 17,840 | 58,753 | 29,087 | (11,533) |
| | 17,801 | 31,338 | 85,365 | 37,709 | (2,901) |

(i) Total expenses arising from share-based compensation charged to profit or loss for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022 amounted to approximately RMB1,887,000, RMB17,840,000, RMB80,001,000, RMB50,335,000 and RMB18,248,000, respectively.

On January 1, 2021 and April 30, 2022, the Group cancelled the SAR for key managements, with expenses reversals of RMB21,248,000 and RMB29,781,000 in 2021 and 2022, respectively.

**34 BENEFITS AND INTEREST OF DIRECTORS**

**(a) Directors' and chief executive's emoluments**

The remuneration of every director and the chief executive is set out below.

For the year ended December 31, 2019, emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

| **Name of directors/ chief executive** | **Director service fees** *RMB'000* | **Salary** *RMB'000* | **Discretionary bonuses** *RMB'000* | **Employer's contribution to benefit scheme** *RMB'000* | **Other social benefit and others** *RMB'000* | **Share-based compensations** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|---|---|---|
| Frank P. Krasovec | 2,456 | – | – | – | – | – | 2,456 |
| Zohar Ziv | 1,073 | – | – | – | – | – | 1,073 |
| David Brian Barr | 1,073 | – | – | – | – | – | 1,073 |
| Samuel Chun Kong Shih | 1,073 | – | – | – | – | – | 1,073 |
| Matthew Ridgwell *(i)* | 1,323 | – | – | – | – | – | 1,323 |
| James Marshall *(ii)* | 827 | – | – | – | – | – | 827 |
| Aileen Wang *(iii)* | – | 2,520 | 4,258 | 49 | 220 | 1,692 | 8,739 |
| | 7,825 | 2,520 | 4,258 | 49 | 220 | 1,692 | 16,564 |

(i) Matthew Ridgwell was appointed as a director of the Company since April 18, 2019. For the year ended December 31, 2019, director service fee for Matthew Ridgwell of RMB683,000 was paid to Good Taste Limited, and RMB640,000 was paid directly to Matthew Ridgwell.

(ii) James Marshall was appointed as a director of the Company since April 18, 2019. For the year ended December 31, 2019, director service fee for James Marshall of RMB827,000 was paid to Good Taste Limited.

(iii) For the year ended December 31, 2019, Aileen Wang was the chief executive and was not a director. The total emoluments of RMB8,739,000 paid or payable to Aileen Wang was for her services as the chief executive.

For the year ended December 31, 2020, emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

| **Name of directors/ chief executive** | **Director service fees** *RMB'000* | **Salary** *RMB'000* | **Discretionary bonuses** *RMB'000* | **Employer's contribution to benefit scheme** *RMB'000* | **Other social benefit and others** *RMB'000* | **Share-based compensations** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|---|---|---|
| Frank P. Krasovec | 2,599 | – | – | – | – | – | 2,599 |
| Zohar Ziv | 1,249 | – | – | – | – | – | 1,249 |
| David Brian Barr | 1,249 | – | – | – | – | – | 1,249 |
| Samuel Chun Kong Shih | 1,249 | – | – | – | – | – | 1,249 |
| Matthew Ridgwell *(i)* | 1,924 | – | – | – | – | – | 1,924 |
| James Marshall *(ii)* | 1,249 | – | – | – | – | – | 1,249 |
| Joseph Jordan *(iii)* | 843 | – | – | – | – | – | 843 |
| Aileen Wang *(iv)* | – | 2,709 | 2,519 | 45 | 200 | 13,102 | 18,575 |
| | 10,362 | 2,709 | 2,519 | 45 | 200 | 13,102 | 28,937 |

(i) For the year ended December 31, 2020, director service fee for Matthew Ridgwell of RMB1,300,000 was paid to Good Taste Limited, and RMB624,000 was paid directly to Matthew Ridgwell.

(ii) For the year ended December 31, 2020, director service fee for James Marshall of RMB1,249,000 was paid to Good Taste Limited.

(iii) Joseph Jordan was appointed as a director of the Company since September 1, 2020. For the year ended December 31, 2020, director service fee for Joseph Jordan of RMB843,000 was paid to Domino's Pizza LLC.

(iv) For the year ended December 31, 2020, Aileen Wang was the chief executive and was not a director. The total emoluments of RMB18,575,000 paid or payable to Aileen Wang was for her services as the chief executive.

For the year ended December 31, 2021, emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

| Name of directors/ chief executive | Director service fees *RMB'000* | Salary *RMB'000* | Discretionary bonuses *RMB'000* | Employer's contribution to benefit scheme *RMB'000* | Other social benefit and others *RMB'000* | Share-based compensations *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|---|
| Frank P. Krasovec | 2,483 | – | – | – | – | – | 2,483 |
| Zohar Ziv | 1,193 | – | – | – | – | – | 1,193 |
| David Brian Barr | 1,193 | – | – | – | – | – | 1,193 |
| Samuel Chun Kong Shih | 1,193 | – | – | – | – | – | 1,193 |
| Matthew Ridgwell *(i)* | 1,838 | – | – | – | – | – | 1,838 |
| James Marshall *(ii)* | 1,193 | – | – | – | – | – | 1,193 |
| Joseph Jordan *(iii)* | 1,193 | – | – | – | – | – | 1,193 |
| Aileen Wang *(iv)* | – | 2,772 | 6,360 | 57 | 202 | 40,275 | 49,666 |
| | 10,286 | 2,772 | 6,360 | 57 | 202 | 40,275 | 59,952 |

(i) For the year ended December 31, 2021, director service fee for Matthew Ridgwell of RMB1,838,000 was paid directly to Good Taste Limited.

(ii) For the year ended December 31, 2021, director service fee for James Marshall of RMB1,193,000 was paid directly to Good Taste Limited.

(iii) For the year ended December 31, 2021, director service fee for Joseph Jordan of RMB1,193,000 was paid directly to Domino's Pizza LLC.

(iv) Aileen Wang was appointed as a director of the Company since June 2, 2021. The total emoluments of RMB49,666,000 paid or payable to Aileen Wang was for her services as the chief executive.

For the six months ended June 30, 2021, emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

| Name of directors/ chief executive (Unaudited) | Director service fees *RMB'000* | Salary *RMB'000* | Discretionary bonuses *RMB'000* | Employer's contribution to benefit scheme *RMB'000* | Other social benefit and others *RMB'000* | Share-based compensations *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|---|
| Frank P. Krasovec | 1,250 | – | – | – | – | – | 1,250 |
| Zohar Ziv | 601 | – | – | – | – | – | 601 |
| David Brian Barr | 601 | – | – | – | – | – | 601 |
| Samuel Chun Kong Shih | 601 | – | – | – | – | – | 601 |
| Matthew Ridgwell *(i)* | 925 | – | – | – | – | – | 925 |
| James Marshall *(ii)* | 601 | – | – | – | – | – | 601 |
| Joseph Jordan *(iii)* | 601 | – | – | – | – | – | 601 |
| Aileen Wang *(iv)* | – | 1,386 | 1,908 | 27 | 99 | 19,967 | 23,387 |
| | 5,180 | 1,386 | 1,908 | 27 | 99 | 19,967 | 28,567 |

(i) For the six months ended June 30, 2021, director service fee for Matthew Ridgwell of RMB925,000 was paid directly to Good Taste Limited.

(ii) For the six months ended June 30, 2021, director service fee for James Marshall of RMB601,000 was paid directly to Good Taste Limited.

(iii) For the six months ended June 30, 2021, director service fee for Joseph Jordan of RMB601,000 was paid directly to Domino's Pizza LLC.

(iv) Aileen Wang was appointed as a director of the Company since June 2, 2021. The total emoluments of RMB23,387,000 paid or payable to Aileen Wang was for her services as the chief executive.

For the six months ended June 30, 2022, emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

| Name of directors/ chief executive | Director service fees *RMB'000* | Salary *RMB'000* | Discretionary bonuses *RMB'000* | Employer's contribution to benefit scheme *RMB'000* | Other social benefit and others *RMB'000* | Share-based compensations *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|---|
| Frank P. Krasovec | 1,578 | – | – | – | – | – | 1,578 |
| Zohar Ziv | 923 | – | – | – | – | – | 923 |
| David Brian Barr | 923 | – | – | – | – | – | 923 |
| Samuel Chun Kong Shih | 923 | – | – | – | – | – | 923 |
| Matthew Ridgwell *(i)* | 596 | – | – | – | – | – | 596 |
| James Marshall *(ii)* | 1,750 | – | – | – | – | – | 1,750 |
| Joseph Jordan *(iii)* | 605 | – | – | – | – | – | 605 |
| Lihong Wang *(iv)* | 637 | – | – | – | – | – | 637 |
| Aileen Wang *(v)* | – | 1,478 | 915 | 30 | 104 | (19,033) | (16,506) |
| | 7,935 | 1,478 | 915 | 30 | 104 | (19,033) | (8,571) |

(i) For the six months ended June 30, 2022, director service fee for Matthew Ridgwell of RMB596,000 was paid directly to Good Taste Limited.

(ii) For the six months ended June 30, 2022, director service fee for James Marshall of RMB1,750,000 was paid directly to Good Taste Limited.

(iii) For the six months ended June 30, 2022, director service fee for Joseph Jordan of RMB605,000 was paid directly to Domino's Pizza LLC.

(iv) Lihong Wang was appointed as the Company's independent non-executive director on March 18, 2022.

(v) The total emoluments paid or payable to Aileen Wang was for her services as the chief executive. The negative amount of share-based compensations was mainly due to the cancellation of SAR in 2022.

**(b) Directors' retirement and termination benefits**

None of the directors received or will receive any retirement benefits or termination benefits during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022.

**(c) Consideration provided to third parties for making available directors' services**

Other than the directors' emoluments disclosed above, the Group did not pay consideration to any third parties for making available directors' services during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022.

**(d) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with such directors.**

No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by or entities connected with directors subsisted at the end of the year or at any time during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022.

**(e) Directors' material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of December 31, 2019, 2020 and 2021 and June 30, 2022 or at any time during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022.

**35 SUBSEQUENT EVENTS**

In July 2022, the Company issued 262,133 shares for compensation of director service from July 7, 2021 to July 6, 2022 and issued 209,595 shares pursuant to the RSU granted on April 30, 2022. The corresponding share-based payment expenses for the relevant periods (after considered the vesting conditions) have already been properly recognised in the Historical Financial Information for the services as delivered by the directors or employees during the Track Record Period.

In July 2022, the Board approved that the Company will issue 215,820 shares in total for compensation of director services from July 7, 2022 to July 6, 2023. In October 2022, the Company has already issued 53,955 shares out of approved number of shares to be issued.

In November 2022, the Board approved the adoption of bonus plans for 12 senior management and the CEO of the Group. The Group will pay cash bonus to these awardees based on the post-money IPO equity valuation at the IPO date or at the first anniversary of the IPO date subject to service condition.

In November 2022, 6,658,379 share options were granted to 45 existing directors, senior management and other employees of the Group. The exercise price of the options is equal to the final IPO price and the share options are subject to certain service conditions. The related share-based payment expenses will be recognized over the vesting period.

## III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any the companies now comprising the Group in respect of any period subsequent to June 30, 2022 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2022.

*The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this prospectus, and is included herein for illustrative purposes only.*

*The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.*

## A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2022 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at June 30, 2022 or at any future dates. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is based on the consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2022 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

| | **Audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2022** *(Note 1)* *RMB'000* | **Estimated net proceeds from the Global Offering** *(Note 2)* *RMB'000* | **Estimated impact on the conversion of convertible senior ordinary shares** *(Note 3)* *RMB'000* | **Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company as at June 30, 2022** *RMB'000* | **Unaudited pro forma adjusted consolidated net tangible assets per Share** *(Note 4)* *RMB* | *(Note 5)* *HK$* |
|---|---|---|---|---|---|---|
| Based on an Offer Price of HK$46.0 per share | (390,727) | 417,514 | 826,886 | 853,673 | 6.74 | 7.50 |
| Based on an Offer Price of HK$50.0 per share | (390,727) | 456,706 | 826,886 | 892,865 | 7.05 | 7.84 |

*Notes:*

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2022 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at June 30, 2022 of RMB851,251,000 with adjustments for the intangible assets as at June 30, 2022 of RMB1,241,978,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$46.0 and HK$50.0 per share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB26,895,000 which have been accounted for during the Track Record Period) paid/payable by the Company and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option, exercise of options or awards granted under the Share Incentive Plan or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

(3) All convertible senior ordinary shares will be automatically converted into fully-paid ordinary shares on a one-for-one basis upon completion of the Global Offering. The convertible senior ordinary shares were accounted for as a liability to the Group. Accordingly, for the purpose of the unaudited pro forma adjusted consolidated net tangible assets, the adjustment represents the impact of the conversion of all convertible senior ordinary shares into ordinary shares. The estimated impact is RMB826,886,000, being the carrying amount of the convertible senior ordinary shares as at June 30, 2022.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 126,632,708 Shares were in issue assuming that the Global Offering have been completed on June 30, 2022 (including the shares granted pursuant to the restricted share unit plan (the "RSU plans") prior to June 30, 2022 that are vested prior to or to be vested upon the completion of the Global Offering) but excludes (i) 316,088 shares issued subsequent to June 30, 2022, (ii) cash bonus to be paid to certain senior management and employees after the Global Offering pursuant to the cash bonus plan approved by the board of the Company subsequent to June 30, 2022, (iii) share appreciation plan approved by the board of the Company subsequent to June 30, 2022, (iv) any Shares which may fall to be issued upon the exercise of the Over-allotment Option, exercise of options or awards granted under the Share Incentive Plans and (v) any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

The 316,088 shares mentioned in (i) above are excluded since the issuance of these shares is not directly attributable to the Global Offering.

The cash bonus mentioned in (ii) above and the share appreciation plan mentioned in (iii) above are excluded since the grantees are only entitled to such shares and bonus after the Global Offering.

However, had such (i) 316,088 shares issued subsequent to June 30, 2022 been taken into account, such that 126,948,796 shares are in issue immediately following the completion of the Global Offering, and assuming the cash bonus mentioned in (ii) above is paid immediately upon the Global Offering, the unaudited pro forma adjusted net tangible assets per Share would have been RMB6.60 (equivalent to HK$7.34) and RMB6.87 (equivalent to HK$7.64) based on the Offer Price of HK$46.0 per Share and HK$50.0 per Share, respectively.

(5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets per share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of RMB0.8993 to HKD1.00. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2022.

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*

羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of DPC Dash Ltd

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of DPC Dash Ltd (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at June 30, 2022, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated December 13, 2022, in connection with the proposed initial public offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at June 30, 2022 as if the proposed initial public offering had taken place at June 30, 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the six months ended June 30, 2022, on which an accountant's report has been published.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at June 30, 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**
*Certified Public Accountants*
Hong Kong, December 13, 2022

## SUMMARY OF THE CONSTITUTION OF THE COMPANY

### 1 Memorandum of Association

***1.1*** The Memorandum of Association of the Company was adopted on November 29, 2022 with effect from registration by the Registrar of Corporate Affairs in the BVI immediately prior to the Listing and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the BVI Business Companies Act or any other law of the BVI.

***1.2 Classes of Shares***

The Company is authorised to issue ordinary shares. Pursuant to the Memorandum of Association, the Company is authorised to issue a maximum number of 500,000,000 shares of one class of US$1.00 par value each.

***1.3 Liability of members***

Pursuant to the Memorandum of Association, the liability of each member is limited to the amount unpaid on such member's shares. No alteration in the Memorandum of Association and the Articles of Association shall increase an existing member's liability to the Company unless such increase is agreed by such member in writing.

***1.4*** Under the Memorandum of Association, each share confers on the holder:

(a) the right to receive notice of, attend and speak at any general meeting of the Company and to one vote on any Resolution of Members or Special Resolution of Members;

(b) the right to an equal share in any dividend paid by the Company in accordance with the BIV Business Companies Act; and

(c) the right to an equal share in the distribution of the surplus assets of the Company.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed "Documents on Display".

## 2 Articles of Association

The Articles of Association of the Company were adopted on November 29, 2022 with effect from registration by the Registrar of Corporate Affairs in the BVI immediately prior to the Listing, and include provisions to the following effect:

### *2.1 Directors*

*(a) Power to allot and issue Shares*

Subject to the provisions of the BVI Business Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased authorised shares) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by resolution of members and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return applicable to shares or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the BVI Business Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution of members, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

*(b) Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the BVI Business Companies Act expressly directed or required to be exercised or done by resolution of members, but subject nevertheless to the provisions of the BVI Business Companies Act and of the Articles of Association and to any regulation from time to time made by resolution of members not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

*(c) Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

*(d) Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at a meeting of the board of Directors, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

*(e) Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by resolution of members or by the Directors, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

*(f) Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his or her appointment and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by resolution of members remove any Director (including a Managing Director or other executive Director) before the expiration of his term of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may also by resolution of members appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by resolution of members elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by a resolution of members under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

*(g) Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled amounts owing on the shares in the Company or any part thereof.

*(h) Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairperson of the meeting shall have a second or casting vote.

### *2.2 Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution of members.

### *2.3 Variation of rights of existing shares or classes of shares*

If at any time the authorised shares of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the BVI Business Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class or with the sanction of a special resolution of members passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third of the voting rights of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### *2.4 Alteration to the number of shares the Company is authorised to issue*

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by resolution of members, increase the maximum number of shares the Company is authorised to issue.

The Company may from time to time by resolution of members cancel any shares which at the date of the passing of the resolution of members have not been taken or agreed to be taken by any person, and diminish the maximum number of shares the Company is authorised to issue by the number of shares so cancelled subject to the provisions of the BVI Business Companies Act.

### *2.5 Special resolution – majority required*

A "special resolution of members" is defined in the Articles of Association as a resolution passed by a majority of not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution of members has been duly given and includes a special resolution of members approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution of members so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, a "resolution of members" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes a resolution of members approved in writing by all the members of the Company aforesaid.

### *2.6 Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting (a) every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have the right to speak, (b) on a show of hands, every member present in such manner shall have one vote, and (c) on a poll, every member present in such manner shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company, it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company or at any creditors' meeting of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

### *2.7 Annual general meetings and extraordinary general meetings*

The Company shall hold a general meeting as its annual general meeting in each financial year within six months after the end of the Company's financial year. The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the

requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

### *2.8 Accounts and audit*

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the BVI Business Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the BVI Business Companies Act or any other relevant law or regulation or as authorised by the Directors or by the resolution of members.

### *2.9 Auditors*

The Company shall at every annual general meeting by resolution of members appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of a resolution of members. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by resolution of members provided that in respect of any particular year the Company may by resolution of members delegate the fixing of such remuneration to the Directors.

### *2.10 Notice of meetings and business to be conducted thereat*

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution of members shall specify the intention to propose the resolution as a special resolution of members. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting and present at the meeting.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

(b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

*2.11 Transfer of shares*

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors

may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by resolution of members determine provided that such period shall not be extended beyond 60 days in any year).

***2.12 Power of the Company to purchase its own shares***

The Company is empowered by the BVI Business Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members by resolution of members as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

***2.13 Power of any subsidiary of the Company to own shares***

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

***2.14 Dividends and other methods of distribution***

Subject to the BVI Business Companies Act and the Articles of Association, the Directors may resolve to declare and pay dividends in any currency, if they are satisfied, on reasonable grounds, that immediately after the payment of the dividend, the value of the Company's assets will exceed its liabilities and the Company is able to pay its debts as they fall due.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company by resolution of members have resolved that a dividend be paid or declared on the shares in the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by resolution of members resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of a resolution of the members, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

***2.15 Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument

appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

***2.16 Calls on shares and forfeiture of shares***

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

***2.17 Inspection of register of members***

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by resolution of members determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

***2.18 Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairperson which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

***2.19 Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

***2.20 Procedure on liquidation***

The Company may, by special resolution of members, approve a liquidation plan and appoint a voluntary liquidator for the voluntary winding up of the Company in accordance with the BVI Business Companies Act.

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the amounts paid up on the issued shares in the Company, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the amounts paid up on the issued shares in the Company, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the amounts paid up on the issued shares in the Company at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the amounts paid up on the issued shares in the Company at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of members and any other sanction required by the BVI Business Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the BVI Business Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

### *2.21 Untraceable members*

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

## SUMMARY OF BRITISH VIRGIN ISLANDS COMPANY LAW AND TAXATION

### 1 Introduction

The BVI Business Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the BVI Business Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the BVI Business Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

## 2 Incorporation

The Company was incorporated in the BVI as a business company with limited liability on 30 April 2008 under the BVI Business Companies Act. The Company is required to pay an annual fee to the Registrar of Corporate Affairs in the BVI which is based on the maximum number of shares the Company is authorised to issue.

## 3 Shares

One of the major features of the BVI Business Companies Act is that the concept of share capital has been abolished.

Instead, a company limited by, or otherwise authorised to issue, shares, can simply state in its memorandum of association the maximum number and classes of shares that the company is authorised to issue. Companies may also divide their shares (including those shares already in issue) into a larger number of shares or combine them into a smaller number of shares in the same class or series, provided that the maximum number of shares the company is permitted to issue is not exceeded. On any such division or combination of shares the aggregate par value (if any) of the new shares must be equal to the aggregate par value of the original shares.

The directors of a company can, at their discretion, issue shares in registered or bearer form (although in order to issue bearer shares there must be an express authorisation in the memorandum of association and such bearer shares must be held by an approved custodian) for such consideration and on such terms as they may determine.

Shares can be issued for consideration in any form, provided such consideration is not less than the par value where the shares have a par value.

If so authorised by its memorandum of association, a company can issue more than one class of shares and, if so, the memorandum of association must also specify the rights, privileges, restrictions and conditions which attach to each class.

The BVI Business Companies Act provides that companies may issue redeemable shares, shares with no rights, limited rights or preferential rights to share in distributions, or shares with no or special or limited or conditional voting rights. They may also, subject to their memorandum of association and articles of association, issue bonus shares, partly or nil paid shares, and fractional shares.

The BVI Business Companies Act provides that a company may purchase, redeem or otherwise acquire its own shares, either in accordance with the procedure set out in the BVI Business Companies Act, or any other procedure as provided for in the memorandum of association and articles of association of the company.

Under the provisions in the BVI Business Companies Act and subject to the provisions of the company's memorandum and articles of association, the directors may make an offer for the company to purchase, redeem or otherwise acquire shares in the company provided that the offer is either (a) to all shareholders and would, if successful, leave the relative voting and distribution rights unaffected, or (b) to one or more shareholders and consented to in writing by all shareholders, or is otherwise permitted by the memorandum of association or articles of association. Where the offer is to one or more shareholders, the directors must pass a resolution to the effect that in their opinion the purchase, redemption or other acquisition would benefit the remaining shareholders, and the proposed offer is fair and reasonable to the company and the remaining shareholders.

Where an acquisition by a company of its own shares would be treated as a distribution, the conditions imposed on distributions (detailed in paragraph 5 below) must be met. The purchase, redemption or other acquisition by a company of its own shares is not deemed to be a distribution where it is effected pursuant to, inter alia, a right of a shareholder to have his shares redeemed or exchanged for money or other property of the company or where the share is redeemable at the option of the company.

**4 Financial Assistance**

There is no statutory restriction in the BVI on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**5 Dividends and Distributions**

The directors of a company may only declare a distribution by the company if they are satisfied, on reasonable grounds, that the company will, immediately after the distribution, satisfy the solvency test set out in section 57(1) of the BVI Business Companies Act. A company satisfies the solvency test if the value of its assets exceeds its liabilities and it is able to pay its debts as they fall due.

**6 Shareholders' Remedies**

The BVI Business Companies Act has introduced a series of remedies available to shareholders. Where a company engages in activity which breaches the BVI Business Companies Act or the company's memorandum of association and articles of association, the court can issue a restraining or compliance order. Shareholders can also bring derivative, personal and representative actions under certain circumstances. The traditional English basis for shareholders' remedies has also been incorporated into the BVI Business Companies Act – where a shareholder of a company considers that the affairs of the company have been, are being or are likely to be conducted in a manner likely to be oppressive, unfairly discriminating or unfairly prejudicial to him, he may apply to the court for an order on such conduct.

## 7 Disposal of Assets

Under the BVI Business Companies Act and subject to the memorandum of association or articles of association of a company, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance or the enforcement thereof, of more than 50 per cent in value of the assets of the company, if not made in the usual or regular course of the business carried on by the company, requires the approval of the shareholders.

The BVI Business Companies Act sets out the procedure that must be followed in relation to effecting such a disposal.

## 8 Accounting and Auditing Requirements

The BVI Business Companies Act requires that a company shall cause to be kept proper books of account that (a) are sufficient to show and explain the company's transactions; and (b) will, at any time, enable the financial position of the company to be determined with reasonable accuracy.

## 9 Register of Members

Under the BVI Business Companies Act a company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside of the BVI, as its directors may, from time to time, think fit. However either the register of members or a copy of the register of members of the company must be kept at the office of its registered agent in the BVI.

There is no requirement under the BVI Business Companies Act for a company to make any filing of shareholder information to the Registrar of Corporate Affairs in the BVI. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

## 10 Inspection of Books and Records

Subject to the BVI Business Companies Act, a shareholder of a company will have general right under the BVI Business Companies Act to inspect or obtain copies of the register of members, the register of directors and minutes of meetings and resolutions of members and of those classes of members of which he is a member. However, subject to the company's memorandum of association and articles of association, the directors may, if they are satisfied that it would be contrary to the company's interests to allow a shareholder to inspect any document (or part of a document) refuse to permit the shareholder to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records.

## 11 Special Resolutions

The BVI Business Companies Act does not define "special resolution". However a company's memorandum of association and articles of association may make provision for varying threshold levels of votes required to pass a resolution and require that certain matters only be approved if passed by a certain percentage of votes.

## 12 Subsidiary Owning Shares in Parent

The BVI Business Companies Act does not prohibit a BVI company acquiring and holding shares in its parent company. The directors of any subsidiary making such acquisition must discharge their duties of care and act honestly and in good faith and in what the director believes to be in the best interests of the company.

Under the BVI Business Companies Act:

(a) a director of a company that is a wholly-owned subsidiary may, when exercising powers or performing duties as a director, if expressly permitted to do so by the memorandum of association or articles of association of the company, act in a manner which he believes is in the best interests of that company's holding company even though it may not be in the best interests of the company;

(b) a director of a company that is a subsidiary, but not a wholly-owned subsidiary, may, when exercising powers or performing duties as a director, if expressly permitted to do so by the memorandum of association or articles of association of the company and with the prior agreement of the shareholders other than its holding company, act in a manner which he believes is in the best interests of that company's holding company even though it may not be in the best interests of the company; and

(c) a director of a company that is carrying out a joint venture between the shareholders may, when exercising powers or performing duties as a director in connection with the carrying out of the joint venture, if expressly permitted to do so by the memorandum of association or articles of association of the company, act in a manner which he believes is in the best interests of a shareholder or shareholders, even though it may not be in the best interests of the company.

## 13 Mergers and Consolidations

Under the BVI Business Companies Act two or more companies, each a "constituent company", may merge or consolidate.

A merger involves merging two or more companies into one of the constituent companies that will remain as the surviving company and a consolidation involves two or more companies consolidating into a new company. Subject to the memorandum and articles of association of the company, a merger or consolidation must be authorised by a resolution of shareholders of every class of shares entitled to vote on the merger or consolidation.

There are differing procedures depending on the type of merger that is taking place. Under the BVI Business Companies Act a merger may occur between any of the following:

(a) two or more companies incorporated under the BVI Business Companies Act;

(b) one or more companies incorporated under the BVI Business Companies Act and one or more companies incorporated under the laws of a jurisdiction outside the BVI, where the surviving entity is a BVI company;

(c) one or more companies incorporated under the BVI Business Companies Act and one or more companies incorporated under the laws of a jurisdiction outside the BVI, where the surviving entity is a foreign company;

(d) a parent company and one or more of its subsidiaries, all being companies incorporated under the BVI Business Companies Act;

(e) a parent company and one or more of its subsidiaries, being companies incorporated under the BVI Business Companies Act and under the laws of a jurisdiction outside the BVI, where the surviving entity is a BVI company; or

(f) a parent company and one or more of its subsidiaries, being companies incorporated under the BVI Business Companies Act and under the laws of a jurisdiction outside the BVI, where the surviving entity is a foreign company.

Under the BVI Business Companies Act, a shareholder of a company is entitled to payment of the fair value of his shares upon dissenting from:

(a) a merger, if the company is a constituent company, unless the company is the surviving company and the shareholder continues to hold the same or similar shares; or

(b) a consolidation, if the company is a constituent company.

The BVI Business Companies Act sets out the procedure that must be followed in exercising dissenters' rights. Ultimately, if the company and the dissenting shareholder fail to agree on the price to be paid for the shares owned by the dissenting shareholder, then the statutory procedure provides that the fair value of the shares owned by the dissenting shareholder is fixed by three appraisers.

### 14 Redemption of Minority Shares

Under the BVI Business Companies Act and subject to the memorandum of association or articles of association, shareholders of a company holding 90 per cent of the votes of the outstanding shares entitled to vote; and shareholders of a company holding 90 per cent of the votes of the outstanding shares of each class of shares entitled to vote as a class, may give a written instruction to the company directing it to redeem the shares held by the remaining shareholders. Upon receiving this direction, the company must redeem the shares it has been directed to redeem and must give written notice to each shareholder stating the redemption price and the manner by which the redemption will be effected.

The shareholders having their shares compulsorily redeemed may dissent from the compulsory redemption and be entitled to receive fair value for their shares. The BVI Business Companies Act sets out the procedure that must be followed in exercising dissenters' rights. Ultimately, if the company and the dissenting shareholder fail to agree on the price to be paid for the shares owned by the dissenting shareholder, then the statutory procedure provides that the fair value of the shares owned by the dissenting shareholder is fixed by three appraisers.

### 15 Indemnification

BVI law in general does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, subject to the conditions set out in the BVI Business Companies Act (e.g. the officer or director has acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, that officer or director had no reasonable cause to believe that his conduct was unlawful).

### 16 Liquidation

A company is placed in liquidation either by an order of the court or by a resolution of directors or shareholders. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

### 17 Stamp Duty on Transfers

No stamp duty is payable in the BVI on transfers of shares of BVI companies incorporated or registered under the BVI Business Companies Act.

## 18 Taxation

Companies incorporated or registered under the BVI Business Companies Act are currently exempt from income and corporate tax in the BVI. In addition, the BVI currently does not levy capital gains tax on companies incorporated or registered under the BVI Business Companies Act.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the BVI with respect to any shares, debt obligations or other securities of a company.

## 19 Exchange Control

There are no exchange control regulations or currency restrictions in the BVI.

## 20 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisor on BVI law, have sent to the Company a letter of advice summarising aspects of BVI company law. This letter, together with a copy of the BVI Business Companies Act, is available for view as referred to in the section headed "Documents on Display" in Appendix V. Any person wishing to have a detailed summary of BVI company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

## A. FURTHER INFORMATION ABOUT OUR GROUP

### 1. Incorporation

Our Company was incorporated under the laws of the British Virgin Islands on April 30, 2008 as a business company with limited liability under the name of Dash Brands Ltd. On September 13, 2021, our Company changed its name to DPC Dash Ltd (达势股份有限公司). Upon incorporation, our Company was authorized to issue a maximum of 50,000 Shares.

Our registered office address is at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the British Virgin Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III to this document.

Our registered place of business in Hong Kong is at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 26, 2022 with the Registrar of Companies in Hong Kong. Ms. Wing Nga Ho has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

### 2. Issued Shares of our Company

The following sets out the details of shares in our Company that have been issued within the two years immediately preceding the date of this document:

(a) On October 21, 2020, our Company issued 617,647 Ordinary Shares with a par value of US$1.00 each to Good Taste Limited in lieu of guarantee fee.

(b) On January 29, 2021, our Company issued 8,142,631 Senior Ordinary Shares with a par value of US$1.00 each in lieu of director service fee.

(c) On July 20, 2021, our Company issued 261,903 Ordinary Shares with a par value of US$1.00 each in lieu of director service fee.

(d) On November 9, 2021, our Company issued 617,647 Ordinary Shares with a par value of US$1.00 each to Good Taste Limited in lieu of guarantee fee.

(e) On November 30, 2021, our Company issued 4,023,785 Ordinary Shares with a par value of US$1.00 each to various employees of the Group pursuant to vesting of restricted share units.

(f) On December 10, 2021, our Company issued 1,306,842 2021 Senior Ordinary Shares with a par value of US$1.00 each to Domino's Pizza LLC for a total consideration of US$9,082,552.

(g) On December 10, 2021, our Company issued 3,729,130 Ordinary Shares with a par value of US$1.00 each to D1 SPV Master Holdco I (Hong Kong) Limited for a total consideration of US$25,917,454.

(h) On December 10, 2021, our Company issued 2,158,273 Ordinary Shares with a par value of US$1.00 each to SMALLCAP World Fund, Inc. for a total consideration of US$15,000,000.

(i) On July 20, 2022, our Company issued 471,728 Ordinary Shares with a par value of US$1.00 each in lieu of director service fee and pursuant to vesting of restricted share units.

(j) On October 6, 2022, our Company issued 53,955 Ordinary Shares with a par value of US$1.00 each to various directors of the Company pursuant to vesting of restricted share units.

Save as disclosed above and in "– Resolutions of our Shareholders Dated November 29, 2022" below, there has been no issue of shares of our Company within the two years immediately preceding the date of this document.

**3. Changes in the share capital of members of our Group**

A summary of the corporate information and the particulars of our subsidiaries are set out in note 16 to the Accountant's Report as set out in Appendix I to this document.

The following sets out the changes in the share or registered capital of members of our Group within the two years immediately preceding the date of this document:

- On February 26, 2021, the registered capital of Shenzhen Pizzavest Fast Food Co., Ltd. (深圳達美樂餐飲管理有限公司) was increased from RMB100 million to RMB200 million.

- On October 26, 2021, the registered capital of Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司) was increased from US$50 million to US$134 million.

- Dash Investment Co., Ltd (達勢投資有限公司) was established on November 1, 2021 with a registered share capital of US$30 million.

- On July 1, 2022, the registered capital of Shenzhen Pizzavest Fast Food Co., Ltd (深圳達美樂餐飲管理有限公司) was decreased from RMB200 million to RMB197 million.

- Domino's Pizza (Guangzhou) Fast Food Co., Ltd. (達美樂比薩(廣州)餐飲管理有限公司) was established on July 19, 2022 with a registered share capital of RMB3 million.

- Domino's Pizza (Zhongshan) Co., Ltd. (達美樂比薩(中山)有限公司) was established on August 29, 2022 with a registered share capital of RMB10 million.

- Domino's Pizza (Zhuhai) Co., Ltd. (達美樂比薩(珠海)有限公司) was established on September 21, 2022 with a registered share capital of RMB10 million.

- Beijing Domino's Food Co., Ltd. (北京達美樂食品有限公司) was established on September 26, 2022 with a registered share capital of RMB10 million.

- On September 29, 2022, the registered share capital of Dash Investment Co., Ltd. (達勢投資有限公司) was increased from US$30 million to US$60 million.

- Domino's Pizza (Wuhan) Fast Food Co., Ltd. (達美樂比薩(武漢)餐飲管理有限公司) was established on October 10, 2022 with a registered share capital of RMB10 million.

- Domino's Pizza (Jinan) Co., Ltd. (達美樂比薩(濟南)有限公司) was established on October 14, 2022 with a registered share capital of RMB10 million.

- Domino's Pizza (Chengdu) Fast Food Co., Ltd. (達美樂比薩(成都)餐飲管理有限公司) was established on October 27, 2022 with a registered share capital of RMB10 million.

- Domino's Pizza (Qingdao) Co., Ltd. (達美樂比薩(青島)有限公司) was established on October 28, 2022 with a registered share capital of RMB10 million.

- On November 16, 2022, the registered share capital of Domino's Pizza (Guangzhou) Fast Food Co., Ltd. (達美樂比薩(廣州)餐飲管理有限公司) was increased from RMB3 million to RMB10 million.

Save as disclosed above, there has been no alteration in the share capital of any member of our Group within the two years immediately preceding the date of this document.

**4. Resolutions of our Shareholders dated November 29, 2022**

Resolutions of our Shareholders were passed on November 29, 2022, pursuant to which, among others, our Company approved and adopted the Memorandum and the Articles and authorized their filing with the Registrar of Corporate Affairs in the BVI prior to the Listing and thereby give effect to the same upon filing with the Registrar of Corporate Affairs in the BVI and, conditional upon the conditions of the Global Offering (as set out in this document) being fulfilled:

(a) the Global Offering, Listing and Over-allotment Option were approved, and our Directors were authorized to negotiate and agree the Offer Price and to allot and issue the Offer Shares (including pursuant to the Over-allotment Option);

(b) a general mandate (the "**Sale Mandate**") was granted to our Directors to allot, issue and deal with any Shares or securities convertible into Shares and to make or grant offers, agreements or options which would or might require Shares to be allotted, issued or dealt with, provided that the number of Shares so allotted, issued or dealt with or agreed to be allotted, issued or dealt with by our Directors, shall not exceed 20% of the total number of Shares in issue immediately following the completion of Global Offering;

(c) a general mandate (the "**Repurchase Mandate**") was granted to our Directors to repurchase our own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Global Offering;

(d) the Sale Mandate was extended by the addition to the total number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of the Shares purchased by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10% of the total number of the Shares in issue immediately following completion of the Global Offering.

Each of the general mandates referred to above will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by resolution of members passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the British Virgin Islands or the memorandum and the articles of association of our Company; and

- the passing of resolution of members by our Shareholders in a general meeting revoking or varying the authority.

## 5. Explanatory statement on repurchase of our own securities

The following summarizes restrictions imposed by the Listing Rules on share repurchases by a company listed on the Stock Exchange and provides further information about the repurchase of our own securities.

***Shareholders' approval***

A listed company whose primary listing is on the Stock Exchange may only purchase its shares on the Stock Exchange, either directly or indirectly, if: (i) the shares proposed to be purchased are fully-paid up, and (ii) its shareholders have given a specific approval or general mandate by way of an ordinary resolution of shareholders.

***Size of mandate***

The exercise in full of the Repurchase Mandate, on the basis of 126,948,796 Shares in issue immediately following completion of the Global Offering, could accordingly result in up to approximately 12,694,879 Shares being repurchased by our Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed 10% of the number of issued shares as at the date of the shareholder approval.

***Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

***Source of funds***

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of the British Virgin Islands.

Our Company shall not purchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any purchases by our Company may be made out of any source of funds provided that the Directors are satisfied that, immediately after the purchases, the value of the Company's assets exceeds its liabilities and the Company is able to pay its debts as they fall due.

***Suspension of repurchase***

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

***Trading restrictions***

A listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

A listed company may not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

***Status of repurchased Shares***

The listing of all repurchased shares (whether through the Stock Exchange or otherwise) shall be automatically cancelled and the relevant documents of title must be cancelled and destroyed as soon as reasonably practicable.

***Close associates and core connected persons***

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

***Takeover implications***

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

***General***

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange to exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the British Virgin Islands.

We have not made any repurchases of our Shares in the previous six months.

## B. FURTHER INFORMATION ABOUT OUR BUSINESS

### 1. Summary of material contract

The following is a contract (not being a contract entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that is or may be material:

(a) the Hong Kong Underwriting Agreement.

### 2. Intellectual property rights

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or industrial property rights which are or may be material in relation to our business.

***Trademarks registered in China***

As at the Latest Practicable Date, we had registered to use the following trademarks in China which we consider to be or may be material to our business:

| No. | Trademark | Registered Owner | Place of Registration | Class | Registered number | Expiry date |
|---|---|---|---|---|---|---|
| 1. | Q盘比萨 | Beijing Pizzavest Fast Food Co., Ltd., Shanghai Pizzavest Fast Food Co., Ltd. (北京達美樂比薩餅有限公司、上海達美樂比薩有限公司) | China | 30 | 13517166 | 2025.02.06 |

***Trademarks licensed to use in China***

As at the Latest Practicable Date, we have been licensed to use the following trademarks in China which we consider to be or may be material to our business:

| No. | Trademark | Place of Registration | Class | Registered number | Expiry date |
|---|---|---|---|---|---|
| 1. | 达美乐 | China | 30 | 9672969 | 2032.08.13 |
| 2. | DOMINO'S | China | 30 | 531211 | 2030.10.19 |

| No. | Trademark | Place of Registration | Class | Registered number | Expiry date |
|---|---|---|---|---|---|
| 3. | Domino's | China | 43 | 9672970 | 2032.08.06 |
| 4. | 达美乐 | China | 29 | 7993733 | 2024.07.13 |
| 5. | 达美乐 | China | 35 | 7993732 | 2024.01.20 |
| 6. | 达美乐 | China | 35 | 8977573 | 2024.01.13 |
| 7. | 达美乐 | China | 39 | 7993731 | 2031.02.27 |
| 8. | 达美乐 | China | 43 | 9672968 | 2032.08.06 |
| 9. | 達美樂 | China | 30 | 822991 | 2026.03.13 |
| 10. | 達美樂 | China | 42 | 1147779 | 2028.01.27 |
| 11. | DOMINO'S PIZZA | China | 29 | 7993751 | 2031.07.06 |
| 12. | DOMINO'S PIZZA | China | 35 | 8977574 | 2025.08.27 |
| 13. | DOMINO'S PIZZA | China | 35 | 7993735 | 2023.02.27 |
| 14. | DOMINO'S PIZZA | China | 39 | 7993734 | 2031.03.27 |
| 15. | Domino's | China | 30 | 9672971 | 2032.08.13 |
| 16. | | China | 30, 35, 43 | 85635734 | 2032.06.18 |

***Copyrights***

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

| No. | Copyright | Version | Registration number | Registration date |
|---|---|---|---|---|
| 1. | Domino's ordering system (for iOS) | 3.0.0 | Ruan Zhu Deng Zi No. 7034010 | March 1, 2021 |
| 2. | Domino's ordering mini program | 3.0.0 | Ruan Zhu Deng Zi No. 6891888 | January 29, 2021 |
| 3. | Domino's baby kitchen system | 3.0.0 | Ruan Zhu Deng Zi No. 6891890 | January 29, 2021 |
| 4. | Domino's member points mall system | 3.0.0 | Ruan Zhu Deng Zi No. 6889948 | January 29, 2021 |
| 5. | Domino's financial reconciliation system | 3.0.0 | Ruan Zhu Deng Zi No. 6892282 | January 29, 2021 |
| 6. | Domino's ordering system (for WEB) | 3.0.0 | Ruan Zhu Deng Zi No. 6892285 | January 29, 2021 |
| 7. | Domino's message center management system | 3.0.0 | Ruan Zhu Deng Zi No. 6892283 | January 29, 2021 |
| 8. | Domino's ordering system (for WeChat) | 3.0.0 | Ruan Zhu Deng Zi No. 6891889 | January 29, 2021 |
| 9. | Domino's member management system | 3.0.0 | Ruan Zhu Deng Zi No. 6892284 | January 29, 2021 |
| 10. | Domino's customer management system | 3.0.0 | Ruan Zhu Deng Zi No. 7183183 | March 29, 2021 |
| 11. | Domino's electronic invoice system | 3.0.0 | Ruan Zhu Deng Zi No. 7183209 | March 29, 2021 |
| 12. | Domino's 3PP order management system | 3.0.0 | Ruan Zhu Deng Zi No. 7155635 | March 23, 2021 |
| 13. | Domino's raffle system | 3.0.0 | Ruan Zhu Deng Zi No. 7155634 | March 23, 2021 |
| 14. | Domino's store marketing system | 3.0.0 | Ruan Zhu Deng Zi No. 7155654 | March 23, 2021 |
| 15. | Domino's middle platform system | 3.0.0 | Ruan Zhu Deng Zi No. 7155752 | March 23, 2021 |
| 16. | Domino's ordering system (for Android) | 3.0.0 | Ruan Zhu Deng Zi No. 7686039 | June 29, 2021 |

***Patents***

As at the Latest Practicable Date, we had applied for the registration of the following patents in the PRC which we consider to be or may be material to our business:

| No. | Patent | Applicant | Application Number | Application date |
|---|---|---|---|---|
| 1. | Serving Basket | Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司) | ZL202030233992.9 | May 20, 2020 |

***Domain names***

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

| No. | Domain name | Registered owner | Expiry date |
|---|---|---|---|
| 1. | dashdpc.com | Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司) | September 2, 2024 |
| 2. | dpcdash.com | Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司) | August 31, 2024 |
| 3. | dominospizzadiy.com | Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司) | April 26, 2027 |
| 4. | dominospizzachina.com | Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司) | March 26, 2027 |
| 5. | 4001597597.com | Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司) | February 28, 2027 |
| 6. | 4008597597.com | Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司) | November 18, 2027 |
| 7. | dominos.com.cn | Shanghai Pizzavest Fast Food Co., Ltd. (上海達美樂比薩有限公司) | October 22, 2029 |

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS

### 1. Particulars of Directors' service contracts and appointment letters

*Executive Directors*

Our executive Director entered into a service contract with our Company on November 23, 2022. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice. No director's fee is payable to our executive Director under the service contract.

*Non-executive Directors*

Each of our non-executive Directors entered into an appointment letter with our Company on November 23, 2022. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice. Each of the non-executive Directors may receive compensation to be determined by the Board and the Remuneration Committee of the Board from time to time.

*Independent non-executive Directors*

Each of our independent non-executive Directors entered into an appointment letter with our Company on November 23, 2022. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice. Each of the independent non-executive Directors may receive compensation to be determined by the Board and the Remuneration Committee of the Board from time to time.

### 2. Remuneration of Directors

(a) Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) The aggregate amount of remuneration paid and benefits in kind granted to our Directors by our Group in respect of for each of the years ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2022 was approximately RMB16.6 million, RMB28.9 million, RMB60.0 million and RMB28.6 million, respectively.

(c) Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2022 is expected to be approximately RMB14.1 million.

**3. Disclosure of interests**

***Interests and short positions of our Directors in the shares of our Company or our associated corporations following completion of the Global Offering***

Immediately following completion of the Global Offering, the interests or short positions of our Directors and chief executives in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the 'Model Code for Securities Transactions by Directors of Listed Issuers' contained in the Listing Rules, to be notified to our Company and the Stock Exchange are set out below:

| Name of director | Nature of interest | Number of Shares | Approximate percentage of interest in our Company immediately after the Global Offering[(1)] |
|---|---|---|---|
| Aileen Wang | Beneficial owner | 2,284,018 (L)[(2)] | 1.80% |
| | Interest in controlled corporation/founder of a discretionary trust | 999,698 (L)[(3)] | 0.79% |
| Frank Paul Krasovec | Beneficial owner | 2,625,607 (L)[(4)] | 2.07% |
| | Interest in controlled corporation | 128,452 (L)[(5)] | 0.10% |

| Name of director | Nature of interest | Number of Shares | Approximate percentage of interest in our Company immediately after the Global Offering[1] |
|---|---|---|---|
| James Leslie Marshall | Beneficial owner | 32,373 (L)[6] | 0.03% |
| | Interest in controlled corporations | 43,094,901 (L)[7] | 33.95% |
| Zohar Ziv | Beneficial owner | 921,791 (L)[4] | 0.73% |
| Matthew James Ridgwell | Beneficial owner | 476,985 (L)[4] | 0.38% |
| David Brian Barr | Beneficial owner | 500,637 (L)[4] | 0.39% |
| Samuel Chun Kong Shih | Beneficial owner | 66,454 (L)[4] | 0.05% |
| | Interest of spouse | 124,536(L)[8] | 0.10% |
| Lihong Wang | Beneficial owner | 44,475 (L)[4] | 0.04% |

*Notes:*

(1) Assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Incentive Plans.

(2) Represents the 250,012 Shares underlying the RSUs granted to Ms. Wang under the 2021 Plan and the 2,034,006 Shares underlying the options granted to Ms. Wang under the 2022 Pre-IPO Plan.

(3) These Shares are held by Molybdenite Holding Limited, a company incorporated in the BVI and majority-controlled by the family trust of Ms. Wang, of which Ms. Wang is the controller, through wholly owned companies of the trust. The remaining interest in Molybdenite Holding Limited is directly held by Ms. Wang.

(4) Including 21,582 Shares underlying the RSUs granted to each of Mr. Krasovec, Mr. Ziv, Mr. Ridgwell, Mr. Barr, Mr. Shih and Ms. Lihong Wang under the 2021 Plan.

(5) Represents Shares held by FPK Dash, LLC, which a company controlled by Mr. Krasovec.

(6) Represents the Shares underlying the RSUs granted to Mr. Marshall under the 2021 Plan.

(7) Represents Shares held by Good Taste Limited, which is wholly-owned by Ocean Investments Limited, the entire interest of which is in turn wholly-owned and managed by a corporate trustee (the "**Trustee**") for the benefit of a discretionary (irrevocable) family trust in which, Mr. Marshall is the protector, a named person in its discretionary class of beneficiaries and one of the directors of the Trustee. Mr. Marshall as the protector of the trust has various powers and rights pursuant to the terms of the relevant trust deed including, without limitation, the power to appoint or remove the trustee as well as the right to direct the trustee to exercise the voting or other rights attached to any securities of Ocean Investments Limited, the 100% parent of Good Taste Limited. Mr. Marshall is however not the settlor of the irrevocable trust, and the settlor of the trust does not have control over, or interests, in the assets of the trust. Ms. Michelle Li Ming Marshall is the spouse of Mr. Marshall.

(8) Ms. Laura Christine Tong, the spouse of Mr. Shih, holds 124,536 Shares. Mr. Shih is deemed to be interested in the Shares held by Ms. Tong.

***Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO***

For information, so far as is known to our Directors or chief executive, of each person, other than our Director or chief executive, who immediately following completion of the Global Offering will have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group, see "Substantial shareholders".

## D. SHARE INCENTIVE PLANS AND BONUS PLANS

The success of our Group has been driven by the leadership of our CEO and our senior management team who together have led the rapid expansion of our store network and the growth in our business since 2018. In order to continue to incentivize and reward our CEO and senior management team in an industry where there is a competitive market for talent, we have adopted an incentive compensation program comprising both a cash and an equity-based component which we believe will provide both a short-term and a long-term incentive to our CEO and senior management team and ensure an alignment of their interests with those of our Group and our Shareholders. Details of the 2021 Plan, the 2022 Pre-IPO Plan, the 2022 First Share Incentive Plan and the 2022 Second Share Incentive Plan (which are equity-based incentive plans) and the Cash Bonus Plan and the Share Appreciation Bonus Plan (which are cash based incentive plans) are set out below.

### 1. The 2021 Plan

***Summary***

The following is a summary of the principal terms of the 2021 Plan of the Company as approved and adopted by our Board on January 1, 2021. The 2021 Plan does not involve the grant of any share options after Listing and is not subject to the provisions of Chapter 17 of the Listing Rules.

*(a) Purpose*

The purpose of the 2021 Plan is to promote the success and enhance the value of the Company by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain employees, to facilitate cash mobility of the Company and to align the interests of the employees with the Shareholders.

*(b) Participants*

Those eligible to participate in the 2021 Plan include directors, employees and consultants of the Company or any subsidiary of the Company (the "**Participants**"). The Committee (as defined below) may, subject to specific designation in the 2021 Plan, designate Participants to receive restricted share units ("**RSUs**") or other types of award approved by the Committee (the "**Award**").

*(c) Maximum number of Shares*

The maximum aggregate number of Shares under the 2021 Plan which may be issued is 7,000,000 ordinary shares.

*(d) Administration*

The 2021 Plan shall be administered by the Board or a committee of one or more members of the Board and/or one or more executive officers of the Company (the "**Committee**").

In relation to the 2021 Plan, subject to any specific designation thereunder, the Committee shall have the exclusive power, authority and discretion to:

(i) designate Participants to receive Awards;

(ii) determine the type or types of Awards to be granted to each Participant;

(iii) determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(iv) determine the terms and conditions of any Award granted pursuant to the 2021 Plan, including, but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines;

(v) determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(vi) prescribe the form of each Award Agreement (as defined in sub-paragraph (e) below), which need not be identical for each Participant;

(vii) decide all other matters that must be determined in connection with an Award;

(viii) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the 2021 Plan;

(ix) interpret the terms of, and any matter arising pursuant to, the 2021 Plan or any Award Agreement;

(x) amend the terms and conditions of Award Agreements; and

(xi) make all other decisions and determinations that may be required pursuant to the 2021 Plan or as the Committee deems necessary or advisable to administer the 2021 Plan, including design and adopt from time to time new types of Awards that are in compliance with applicable laws.

*(e) Grant of Awards*

The Committee is authorized to grant Awards in the form of restricted share units or other types of award approved by the Committee to Participants in accordance with the terms of the 2021 Plan. Awards granted will be evidenced by a written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium ("**Award Agreement**") between the Company and the grantee.

*(f) Term of the 2021 Plan*

The 2021 Plan commenced on January 1, 2021 and shall continue in effect for a term of 10 years unless sooner terminated under the terms of the 2021 Plan.

*(g) Restricted Share Units*

(i) Form and Timing of Payment

At the time of grant, the Committee shall specify the date or dates on which the restricted share units shall become fully vested and nonforfeitable. Upon vesting, the Committee, in its sole discretion, may pay restricted share units in the form of cash, Shares or a combination thereof.

(ii) Forfeiture or Repurchase

Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, restricted share units that are at that time unvested shall be forfeited or repurchased in accordance with the Award Agreement; provided, however, the Committee may (a) provide in any Award Agreement that restrictions or forfeiture and repurchase conditions relating to the restricted share units will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to the restricted share units.

(iii) Limits on Transfer

Unless otherwise expressly agreed by the Board or the Committee in writing, by applicable law and by the Award Agreement, as the same may be amended: (a) all Awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge; (b) Awards will be exercised only by the Participant; and (c) amounts payable or shares issuable pursuant to an Award will be delivered only to (or for the account of), and, in the case of Shares, registered in the name of, the Participant. In addition, the shares shall be subject to the restrictions set forth in the applicable Award Agreement. Subject to applicable laws, the Company shall also have the right, but not the obligation, to repurchase from the Participant all the Shares acquired upon vesting of the restricted share units at a reasonable fair market value determined in good faith by the Board or the Committee in accordance with the Award Agreement.

*(h) Adjustments*

In the event of any dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the shares of Shares or the share price of a Share, the Committee shall make such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under the 2021 Plan (including, but not limited to, adjustments of the limitations set out in the 2021 Plan); (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per share for any outstanding Awards under the 2021 Plan.

*(i) Amendment, Modification, and Termination*

The Board may at any time and from time to time terminate, amend or modify the 2021 Plan, provided, however, that (a) to the extent necessary and desirable to comply with applicable laws or stock exchange rules, the Company shall obtain shareholder approval of any 2021 Plan amendment in such a manner and to such a degree as required, unless the Company decides to follow home country practice, and (b) unless the Company decides to follow home country practice, shareholder approval is required for any amendment to the 2021 Plan that increases the number of Shares available under the 2021 Plan (other than any adjustment as set out in sub-paragraph (j) above) or permits the Committee to extend the term of the 2021 Plan.

***RSUs granted under the 2021 Plan***

As of the Latest Practicable Date, the number of underlying Shares pursuant to the outstanding RSUs granted under the 2021 Plan amounted to 1,218,345 Shares, representing approximately 0.96% of the issued Shares immediately following the completion of the Global Offering. Of the 1,218,345 RSUs, none have vested as of the Latest Practicable Date.

The table below shows the details of the outstanding RSUs granted under the 2021 Plan as of the Latest Practicable Date:

| Grantees | Date of grant | Vesting Period | Number of Shares underlying the RSUs | Approximate % of issued Shares immediately after completion of the Global Offering |
|---|---|---|---|---|
| Aileen Wang | April 30, 2022 | Within one year after Listing[(1)] | 250,012 | 0.20% |
| Frank Paul Krasovec | July 7, 2022 | 1 year | 21,582 | 0.02% |
| James Leslie Marshall | July 7, 2022 | 1 year | 32,373 | 0.03% |
| Zohar Ziv | July 7, 2022 | 1 year | 21,582 | 0.02% |
| Matthew James Ridgwell | July 7, 2022 | 1 year | 21,582 | 0.02% |
| David Brian Barr | July 7, 2022 | 1 year | 21,582 | 0.02% |
| Samuel Chun Kong Shih | July 7, 2022 | 1 year | 21,582 | 0.02% |
| Lihong Wang | July 7, 2022 | 1 year | 21,582 | 0.02% |
| 3 other grantees (who are not Directors) | April 30, 2022 | From within 6 months after Listing to 47 months | 806,468 | 0.64% |
| | | Total: | 1,218,345 | 0.96% |

*Note:*

(1) Any Shares vested shall be subject to a lock-up until the first anniversary of the Listing Date.

## 2. The 2022 Pre-IPO Plan

***Summary***

The following is a summary of the principal terms of the 2022 Pre-IPO Plan of the Company as approved and adopted by our Board on September 9, 2022. The 2022 Pre-IPO Plan does not involve the grant of any share options or awards after Listing and is not subject to the provisions of Chapter 17 of the Listing Rules.

*(a) Purpose*

The purpose of the 2022 Pre-IPO Plan is to promote the success and enhance the value of the Company by linking the personal interests of the directors, employees, and consultants to those of the Company's shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Company's shareholders.

*(b) Participants*

Those eligible to participate in the 2022 Pre-IPO Plan include directors, employees and consultants of the Company or any subsidiary of the Company (the "**Participants**"). The Committee (as defined below) may, subject to specific designation in the 2022 Pre-IPO Plan, designate Participants to receive share options or other types of award approved by the Committee (the "**Award**").

*(c) Maximum number of Shares*

The maximum aggregate number of Shares under the 2022 Pre-IPO Plan which may be issued is 8,000,000 Shares.

*(d) Administration*

The 2022 Pre-IPO Plan shall be administered by the Board or a committee of one or more members of the Board and/or one or more executive officers of the Company (the "**Committee**").

In relation to the 2022 Pre-IPO Plan, subject to any specific designation thereunder, the Committee shall have the exclusive power, authority and discretion to:

(i) designate Participants to receive Awards;

(ii) determine the type or types of Awards to be granted to each Participant;

(iii) determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(iv) determine the terms and conditions of any Award granted pursuant to the 2022 Pre-IPO Plan, including, but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines;

(v) determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(vi) prescribe the form of each Award Agreement (as defined in sub-paragraph (e) below), which need not be identical for each Participant;

(vii) decide all other matters that must be determined in connection with an Award;

(viii) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the 2022 Pre-IPO Plan;

(ix) interpret the terms of, and any matter arising pursuant to, the 2022 Pre-IPO Plan or any Award Agreement;

(x) amend the terms and conditions of Award Agreements; and

(xi) make all other decisions and determinations that may be required pursuant to the 2022 Pre-IPO Plan or as the Committee deems necessary or advisable to administer the 2022 Pre-IPO Plan, including design and adopt from time to time new types of Awards that are in compliance with applicable laws.

*(e) Grant of Awards*

The Committee is authorized to grant Awards in the form of share options or other types of award approved by the Committee to Participants in accordance with the terms of the 2022 Pre-IPO Plan. Awards granted will be evidenced by a written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium ("**Award Agreement**") between the Company and the grantee.

*(f) Term of the 2022 Pre-IPO Plan*

The 2022 Pre-IPO Plan commenced on September 9, 2022 and shall continue in effect for a term of 10 years unless sooner terminated under the terms of the 2022 Pre-IPO Plan.

*(g) Options*

The exercise price per Share subject to an option shall be determined by the Committee and set forth in the Award Agreement which may be a fixed price related to the fair market value of the Shares. The exercise price per Share subject to an option may be amended or adjusted in the absolute discretion of the Committee, the determination of which shall be final, binding and conclusive. The Committee shall determine the methods by which the exercise price of an option may be paid.

The Committee shall determine the time or times at which an option may be exercised in whole or in part, including exercise prior to vesting; provided that the exercise term of any option granted under the plan shall not exceed ten years, except as otherwise determined by the Committee. The Committee shall also determine any conditions, if any, that must be satisfied before all or part of an option may be exercised.

*(h) Adjustments*

In the event of any dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the shares of Shares or the share price of a Share, the Committee shall make such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under the 2022 Pre-IPO Plan (including, but not limited to, adjustments of the limitations set out in the 2022 Pre-IPO Plan); (b) the terms and conditions of any outstanding Awards; and (c) the grant or exercise price per share for any outstanding Awards under the 2022 Pre-IPO Plan.

*(i) Amendment, Modification, and Termination*

The Board may at any time and from time to time terminate, amend or modify the 2022 Pre-IPO Plan, provided, however, that (a) to the extent necessary and desirable to comply with applicable laws or stock exchange rules, the Company shall obtain shareholder approval of any 2022 Pre-IPO Plan amendment in such a manner and to such a degree as required, unless the Company decides to follow home country practice, and (b) unless the Company decides to follow home country practice, shareholder approval is required for any amendment to the 2022 Pre-IPO Plan that increases the number of Shares available under the 2022 Pre-IPO Plan (other than any adjustment as set out in sub-paragraph (j) above) or permits the Committee to extend the term of the 2022 Pre-IPO Plan.

***Awards Granted under the 2022 Pre-IPO Plan***

As of the date of this document, the number of underlying Shares pursuant to the outstanding options granted under the 2022 Pre-IPO Plan amounted to 6,658,379 Shares, representing approximately 5.24% of the issued Shares immediately following the completion of the Global Offering. The 6,658,379 options are held by 45 grantees, including Directors, senior management and other employees of the Group. The Company will not grant further options under the 2022 Pre-IPO Plan after the Listing.

The exercise price of the options under the 2022 Pre-IPO Plan is equal to the final Offer Price. No consideration was payable by the grantees for the grant of options under the 2022 Pre-IPO Plan. As of the date of this document, no option has been exercised.

Assuming full issuance of Shares pursuant to all the outstanding options granted under the 2022 Pre-IPO Plan, the shareholding of our Shareholders immediately following completion of the Global Offering will be diluted by approximately 4.98% and the dilutive effect on our earnings per Share would be approximately 4.98%.

The table below shows the details of the outstanding options as of the date of this document:

| Name | Position | Address | Number of Shares underlying Options outstanding | Exercise Price (per Share) | Date of Grant | Vesting Period[1] | Approximate percentage of issued Shares immediately after completion of Global Offering |
|---|---|---|---|---|---|---|---|
| Yi Wang | chief executive officer, executive director | Room 801, No. 2 Lane 515 Liuying Road, Zhabei District, Shanghai, PRC | 2,034,006 | final Offer Price | Nov 10, 2022 | 4 years | 1.60% |
| Ting Wu | chief financial officer | Flat A 3/F Verdant Court (Tower 3), Peninsula Villa, Discovery Bay City, Hong Kong | 269,207 | final Offer Price | Nov 10, 2022 | 4 years | 0.21% |
| Jun Zhong | chief operating officer | 1A41C, Xiangshan Meishu Yunsong (Phase 5), Overseas Chinese Town, Nanshan District, Shenzhen, Guangdong, PRC | 538,413 | final Offer Price | Nov 10, 2022 | 4 years | 0.42% |
| Xinyi Xu | chief performance officer | Room 1103, No.85 Lane 99, Zhongtan Road, Putuo District, Shanghai, PRC | 538,413 | final Offer Price | Nov 10, 2022 | 4 years | 0.42% |
| Yujing Wang | chief marketing officer | Room 1302, No.7 Lane 238, Baise Road, Xuhui District, Shanghai, PRC | 538,413 | final Offer Price | Nov 10, 2022 | 4 years | 0.42% |
| Li Huo | vice president | 7-33-301, Fufangyuan, Wanliu Village Avenue, Hebei District, Tianjin, PRC | 191,436 | final Offer Price | Nov 10, 2022 | 4 years | 0.15% |
| Li Yao | general manager | Room 202, No.19, Lane 211, Wanke Four Season Flower City, Zhentai Road, Baoshan District, Shanghai, PRC | 191,436 | final Offer Price | Nov 10, 2022 | 4 years | 0.15% |
| Qiuguo Jiang | general manager | 2703, Building 4, Yue Xiu Xing Hui Ming Ting Tian Xuan, Jiangqiao Road, Pengjiang District, Jiangmen, PRC | 191,436 | final Offer Price | Nov 18, 2022 | 4 years | 0.15% |
| Huabin Lin | general manager | Room 403, Building 129, Bao Li Kang Qiao Peninsula, Jinjiao Road, Jiangcheng District, Yangjiang, Guangdong, PRC | 191,436 | final Offer Price | Nov 18, 2022 | 4 years | 0.15% |

| Name | Position | Address | Number of Shares underlying Options outstanding | Exercise Price (per Share) | Date of Grant | Vesting Period[1] | Approximate percentage of issued Shares immediately after completion of Global Offering |
|---|---|---|---|---|---|---|---|
| Jiazhen Fang | senior department director | 479-13-201, Wuwei East Road, Putuo District, PRC | 119,647 | final Offer Price | Nov 18, 2022 | 4 years | 0.09% |
| Jie Gong | senior department director | Room 102, No.13 Lane 727, Yanchang Middle Road, Jing'an District, Shanghai, PRC | 119,647 | final Offer Price | Nov 18, 2022 | 4 years | 0.09% |
| Yu, Chu-Hui | senior department director | 501, Building 28, Aijianyuan, Lane 100, Tianlin East Road, Shanghai, PRC | 119,647 | final Offer Price | Nov 18, 2022 | 4 years | 0.09% |
| Lai Yuk Ming | senior department director | Room 501, No.394 Lane 8888, Zhongchun Road, Minhang District, Shanghai, PRC | 119,647 | final Offer Price | Nov 18, 2022 | 4 years | 0.09% |
| Ying Yu | senior department director | Room 1205, No. 8 Lane 180, Tianyaoqiao Road, Xuhui District, Shanghai, PRC | 119,647 | final Offer Price | Nov 10, 2022 | 4 years | 0.09% |
| Lingxuan Fan | department director | Room 302, No. 98 Lane 538, Fuyuan Road, Baoshan District, Shanghai, PRC | 59,824 | final Offer Price | Nov 21, 2022 | 4 years | 0.05% |
| Tseng, Wei-Hsiang | department director | Room 702, No. 4 Lane 179, Maweishan Road, Sheshan Town, Songjiang District, Shanghai, PRC | 59,824 | final Offer Price | Nov 21, 2022 | 4 years | 0.05% |
| Bin Sun | department director | Room 202, No. 4 Lane 369, Feihong Road, Hongkou District, PRC | 59,824 | final Offer Price | Nov 21, 2022 | 4 years | 0.05% |
| Yanqing Ji | department director | No. 18, Gate 2, Building 1, Guanyuan, Xicheng, Beijing, PRC | 59,824 | final Offer Price | Nov 21, 2022 | 4 years | 0.05% |
| Yizheng Wang | department director | Room 302, Building 20, Lane 1000, Xinhuan West Road, Pudong New Area, PRC | 59,824 | final Offer Price | Nov 21, 2022 | 4 years | 0.05% |
| Jinhua Lin | department director | Room 2104, Unit 1, Building 1, Huachen Huabanli, Zhongkai, Huizhou City, Guangdong, PRC | 59,824 | final Offer Price | Nov 21, 2022 | 4 years | 0.05% |
| Zhenghua Pan | department director | No. 11 Lane 4333, Haima Road, Bay Tourism Zone, Fengxian District, Shanghai, PRC | 59,824 | final Offer Price | Nov 21, 2022 | 4 years | 0.05% |
| Yanwen Meng | department director | Room 101, No. 9 Lane 858, Pusan Road, Pudong New Area, Shanghai, PRC | 59,824 | final Offer Price | Nov 21, 2022 | 4 years | 0.05% |

| Name | Position | Address | Number of Shares underlying Options outstanding | Exercise Price (per Share) | Date of Grant | Vesting Period[1] | Approximate percentage of issued Shares immediately after completion of Global Offering |
|---|---|---|---|---|---|---|---|
| Hesheng Chen | department director | Room 18A, Building 18, Phase 2, Houhai Azure Coast, Nanshan District, Shenzhen City, Guangdong Province, PRC | 59,824 | final Offer Price | Nov 21, 2022 | 4 years | 0.05% |
| Minpan Luo | department director | Room 1301, Anhe Business Building, No. 136 Yingbin Avenue, Huadu District, Guangzhou, PRC | 59,824 | final Offer Price | Nov 21, 2022 | 4 years | 0.05% |
| Bingchuang Sun | department director | No. 302, Gate 1, Building 30, Huaxi Garden, No. 9, Xiangjiang Street, Zhouliang Street, Baodi District, Tianjin, PRC | 59,824 | final Offer Price | Nov 21, 2022 | 4 years | 0.05% |
| Yingchun Yang | associate department director | No. 9, Building 2, Lane 555, Chemical Road, Songjiang District, Shanghai, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Zhidong Wang | associate department director | Room 502, Unit 3, Building 10, Oasis Homeland, Fengtai District, Beijing, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Jin Liu | associate department director | Room 901, No. 3 Lane 398, Changjiang West Road, Baoshan District, Shanghai, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Guohua Li | associate department director | Room 2001, No. 8 Lane 201, Kangfeng Road, Malu Town, Jiading District, Shanghai, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Yue Lin | associate department director | Room 1004, No. 23 Lane 855, Zhulu West Road, Xujing Town, Shanghai, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Wanwen Su | associate department director | Room 602, No. 28 Lane 61, Linyi Road, Pudong New Area, Shanghai, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Zhibin Yang | associate department director | Room 1204, No. 28 Lane 910, Zhongshan West Road, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Ning Lu | associate department director | Room 402, No. 64 Lane 748, Zhuanxing Road, Minhang District, Shanghai, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Weibing Lai | associate department director | Room 1604, Building 5, Yueshanyuan, Shangcheng, Jindi Park, Yongning Street, Zengcheng, Guangzhou, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |

| Name | Position | Address | Number of Shares underlying Options outstanding | Exercise Price (per Share) | Date of Grant | Vesting Period[1] | Approximate percentage of issued Shares immediately after completion of Global Offering |
|---|---|---|---|---|---|---|---|
| Lili Rui | associate department director | Room 402, No. 5 Lane 1888, Kaixuan North Road, Putuo District, Shanghai, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Ying Pang | associate department director | Room 101, No. 48, District 12, Lane 1467, Caobao Road, Minhang District, Shanghai, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Min Liu | associate department director | Room 601, No. 12 Lane 79, Dehua Road, Nanxiang Town, Jiading District, Shanghai, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Yuanyuan Zhang | associate department director | Room 70-602, Spain Mingyuan, Lane 1980, Luoxiu Road, Minhang District, Shanghai, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Yueming Li | associate department director | Room 1602, No. 1, Lane 555, Guangyan Road, Jing'an District, Shanghai, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Miao Nie | associate department director | Room 206, No. 2, Lane 50, Binyang Road, Xuhui District, Shanghai, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Yidong Shen | associate department director | Room 202, No. 19, Lane 999, Zhenhua Road, Baoshan District, Shanghai, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Shengbin Lu | associate department director | Room 1404, Building 1, Shaanxuan, Yuelong Bay, Pengjiang District, Jiangmen City, Guangdong, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Yingbin Kan | associate department director | 2-2-206, Dazhigu Backstage, Hedong District, Tianjin, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Yushan Chen | associate department director | Room 104, No. 3, Xinsong 3rd Village, Minhang District, Shanghai, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| Hongju Song | associate department director | Room 201, Gate 1, No. 6, Meiyuan A, Malianwa, Haidian District, Beijing, PRC | 35,894 | final Offer Price | Nov 21, 2022 | 4 years | 0.03% |
| **Total:** | **45 grantees** | | **6,658,379** | | | | **5.18%** |

*Note:*

(1) The vesting period shall commence on the Listing Date. The exercise period of the options granted shall commence from the date on which the relevant options become vested and end on the 10th anniversary of the grant date, subject to the terms of the 2022 Pre-IPO Plan and the option award agreement signed by the grantee.

### 3. Cash Bonus Plan and Share Appreciation Bonus Plan

On November 15, 2022, the Board approved the adoption of (1) a one-off IPO cash bonus plan (the "**Cash Bonus Plan**") for 12 existing senior management and other key employees of the Group, and (2) a one-off share appreciation linked bonus plan for our CEO (the "**Share Appreciation Bonus Plan**") (together, the "**Bonus Plans**"). The Bonus Plans will be implemented only if the Global Offering is completed.

The Bonus Plans are cash-based plans which aim to reward individual performance for their past contribution to the growth of our business and their contribution to the success of the Global Offering and (in the case of the Share Appreciation Bonus Plan) our CEO's continued contribution in increasing the market value of the Company following the Listing.

*Cash Bonus Plan*

Pursuant to the Cash Bonus Plan, we will pay a one-off cash bonus to up to 12 of our existing senior management and other key employees (the "**Cash Bonus Grantees**"). Most of these existing senior management and key employees have worked with the Company for more than five years. The total amount of the cash bonus will be between approximately US$2.3 million and US$3.0 million, of which no more than US$2 million will be paid within six months after the Listing Date and the remaining balance will be paid after the end of six months after the Listing Date, subject to the Cash Bonus Grantees' continued employment with the Group at the time of payment of such amounts. The final cash bonus amount will be determined when the final Offer Price has been determined and the total expenses of Cash Bonus Plan would be recognized over the above service period.

*Share Appreciation Bonus Plan*

Pursuant to the Share Appreciation Bonus Plan, we will pay an additional one-off cash bonus payment to our CEO one year after the Listing Date based on the market capitalization of the Company at the Listing and the incremental market value created following the Listing. The payment is calculated based on 0.5% of the Company's post-money IPO equity valuation at Listing and adjusted upward or downward by 0.8% of the increase or decrease of the Company's market capitalization based on the average closing share price in the five trading days immediately prior to the first anniversary of the Listing Date, subject to a floor of zero. The payment will be paid within 60 days after the first anniversary of the Listing Date. The Share Appreciation Bonus Plan is also subject to the CEO's continued employment with the Company for at least 12 months after the Listing. The total expenses of the Share Appreciation Bonus Plan, which would be subject to the change of fair market value of the Group, would be recognized over the above service period.

## 4. The 2022 First Share Incentive Plan

The following is a summary of the principal terms of the 2022 First Share Incentive Plan conditionally adopted by our Shareholders by way of a written resolution passed on November 29, 2022 and which shall take effect from the Listing Date. The terms of the 2022 First Share Incentive Plan will be governed by Chapter 17 of the Listing Rules (including the amendments thereto which will take effect on January 1, 2023).

### *(a) Purpose of the 2022 First Share Incentive Plan*

The purpose of the 2022 First Share Incentive Plan is to provide the Company with a flexible means of remunerating, incentivizing, retaining, rewarding, compensating and/or providing benefits to eligible participants; to align the interests of eligible participants with those of the Company and Shareholders by providing such eligible participants with the opportunity to acquire shareholding interests in the Company; and to encourage eligible participants to contribute to the long-term growth and profitability of the Company and to enhance the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole.

### *(b) Eligible participants*

Eligible participants include any person who is an employee (whether full-time or part-time), director or officer of any member of the Group, and any person who is an employee (whether full-time or part-time), director or officer of (i) a holding company of the Company, (ii) subsidiaries of the holding company other than members of the Group, or (iii) any company which is an associate of the Company. These types of eligible participants have the potential to contribute to the long-term growth and profitability of the Company and hence are in line with the purpose of the plan.

### *(c) Administration*

The Board shall be responsible and have full authority for administering the plan in accordance with the rules of the plan. The authority to administer the Scheme may be delegated by the Board to a committee of the Board or to any other persons deemed appropriate at the sole discretion of the Board, including its powers to offer or grant Awards and to determine the terms and conditions of such Awards. The Company may establish a trust and appoint a trustee to hold Shares and other trust property under the trust for the purposes of implementing and administering the plan. Unless otherwise agreed between the Company and any trustee, the scheme administrator shall act on behalf of the Company to give instructions to and direct the trustee.

*(d) Grant of Awards*

The Board or scheme administrator may, from time to time, in their absolute discretion select any eligible participant to be a grantee and, subject to the rules of the plan, grant an award under the plan ("**Award**") to such grantee during the scheme period. The nature, amount, terms and conditions of any such Award so granted shall be determined by the Board or scheme administrator in their sole and absolute discretion.

An Award may be take the form of: (i) an award which vests in the form of the right to subscribe for and/or be issued such number of Shares as the scheme administrator may determine at the issue price in accordance with the terms of the plan ("**Share Award**"); or (ii) an award which vests in the form of the right to subscribe for such number of Shares as the scheme administrator may determine during the exercise period at the exercise price in accordance with the terms of the plan ("**Share Option**").

No Award shall be granted to any eligible participant in certain specified circumstances, including but not limited to:

(i) in circumstances prohibited by the Listing Rules or at a time when the relevant eligible participant would be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law;

(ii) where the Company is in possession of any unpublished inside information in relation to the Company, until (and including) the trading day after such inside information has been announced;

(iii) during the periods commencing one month immediately before the earlier of the date of the board meeting for approving the Company's results for any year, half-year, quarterly or any other interim period and the deadline for the Company to announce such results, and ending on the date of the results announcement, provided that such period will also cover any period of delay in the publication of any results announcement;

(iv) in circumstances which would result in a breach of the Scheme Limit, provided that to the extent permissible in accordance with applicable laws, rules and regulations an Award may be made conditional upon the Scheme Limit being refreshed or approval of Shareholders being otherwise obtained;

(v) where such Award is to a connected person and under the Listing Rules requires the specific approval of Shareholders, until such approval of Shareholders is obtained, provided that to the extent permissible in accordance with applicable laws, rules and regulations an Award may be made conditional upon such specific shareholder approval being obtained,

and any such grant so made shall be null and void to the extent that it falls within the circumstances described above.

*(e) Maximum number of Shares*

The total number of Award Shares which may be issued pursuant to all Awards to be granted under the 2022 First Share Incentive Plan together with the number of Shares which may be issued pursuant to any awards to be granted under any other share schemes of the Company is 12,000,000 Shares, being approximately 9.45% (which is not more than 10%) of the Shares in issue on the Listing Date (the "**Scheme Mandate Limit**"). For the avoidance of doubt, Shares issued or to be issued pursuant to awards made under the 2021 Plan and the 2022 Pre-IPO Plan shall not be subject to the Scheme Mandate Limit. Shares which would have been issued pursuant to Awards which have lapsed in accordance with the terms of the plan (or the terms of any other share schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may refresh the Scheme Mandate Limit: (i) from the later of three years after the adoption date of the plan or three years after the date of the previous shareholder approval for refreshment of the Scheme Mandate Limit pursuant to the rules of the plan, with the prior approval of Shareholders in general meeting by way of ordinary resolution; or (ii) at any time, with the prior approval of the independent Shareholders in general meeting and subject to compliance with any additional requirements set out in the Listing Rules. The total number of Award Shares which may be issued in respect of all Awards to granted under the 2022 First Share Incentive Plan and all other schemes of the Company under the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the approval to refresh the Scheme Mandate Limit by the Shareholders in general meeting. Awards already granted under the 2022 First Share Incentive Plan and any other share schemes of the Company (including those exercised, outstanding, cancelled or lapsed in accordance with its terms) shall not be counted for the purpose of calculating the number of Award Shares that may be issued under the Scheme Mandate Limit as refreshed.

The Company may seek separate approval of the Shareholders in general meeting to grant Awards beyond the Scheme Mandate Limit to eligible participants specifically identified by the Company, subject to compliance with the requirements set out in the Listing Rules.

*(f) Maximum entitlement of a grantee*

Unless approved by the Shareholders in the manner set out in the plan, the total number of Shares issued and to be issued upon exercise of Awards granted and to be granted under the 2022 First Share Incentive Plan and any other share schemes of the Company to each eligible participant (including both exercised and outstanding options) in any 12 month period shall not exceed 1% of the total number of Shares in issue. Any further grant of Awards to an eligible participant which would exceed this limit shall be subject to separate approval of the Shareholders in general meeting with the relevant eligible participant and their associates abstaining from voting.

Any grant of Awards to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the remuneration committee of the Board (excluding any proposed recipient of the grant) and the independent non-executive Directors of the Company (excluding any proposed recipient of the grant). Where any grant of Share Awards (but not any grant of Share Options) to any Director (other than an independent non-executive Director) or chief executive of the Company would result in the Shares issued and to be issued in respect of all Awards granted (excluding any lapsed Awards) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue at the date of such grant, or where any grant of Awards to an independent non-executive director or substantial shareholder of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all Awards already granted (excluding any lapsed Awards) to such person in the 12 month period up to and including the date of such grant representing in aggregate over 0.1% of Shares in issue, such further grant of Awards must be approved by shareholders of the Company in general meeting in the manner required, and subject to the requirements set out, in the Listing Rules.

***(g) Award Letter and terms of an Award***

The Company shall, in respect of each Award, on the grant date issue a letter to each grantee setting out the terms and conditions of the Award (an "**Award Letter**"), which may include the number of Shares in respect of which the Award relates, the issue price or exercise price (as applicable), the vesting criteria and conditions, the vesting date, any minimum performance targets that must be achieved and any such other details as the scheme administrator may consider necessary, and requiring the grantee to undertake to hold the Award on the terms of the Award Letter and be bound by the provisions of the rules of the plan. To the extent that Awards shall be satisfied by way of issue and allotment of new Shares, the grant of such Awards shall be conditional upon the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, such Shares and the satisfaction of any other conditions as may be considered necessary or appropriate by the scheme administrator.

*Amount payable on application or acceptance of an Award:* The scheme administrator may determine the amount (if any) payable on application or acceptance of an Award and the period within which any such payments must be made, which amounts (if any) and periods shall be set out in the Award Letter.

*Exercise price and exercise period of Share Options:* The exercise price for Share Options shall be no less than the higher of: (i) the closing price of the Shares on the Stock Exchange on the grant date; and (ii) the average closing price of the Shares on the Stock Exchange for the five business days immediately preceding the grant date. The exercise period for Share Options shall be not longer than 10 years from the grant date. A Share Option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the expiry of the tenth anniversary from the grant date. The foregoing provisions relating to exercise price are in line with the requirements of the Stock Exchange and the purpose of the plan.

*Issue price of Share Awards:* The issue price for Share Awards shall be such price determined by the scheme administrator and notified to the grantee in the Award Letter. For the avoidance of doubt, the scheme administrator may determine the issue price to be nil. The foregoing provisions relating to exercise price are in line with the requirements of the Stock Exchange and the purpose of the plan.

*Vesting period:* The vesting date in respect of any Award shall be not less than 12 months from the grant date, provided that for employee participants the vesting date may be less than 12 months from the grant date (including on the grant date) in the following circumstances: (a) grants of "make whole" awards to new employee participants to replace share awards they forfeited when leaving their previous employers; (b) grants to an employee participant whose employment is terminated due to death or disability or event of force majeure; (c) grants of Awards which are subject to the fulfilment of performance targets; (d) grants of Awards the timing of which is determined by administrative or compliance requirements not connected with the performance of the relevant employee participant, in which case the vesting date may be adjusted to take account of the time from which the Award would have been granted if not for such administrative or compliance requirements; (e) grants of Awards with a mixed vesting schedule such that the Awards vest evenly over a period of 12 months; or (f) grants of Awards with a total vesting and holding period of more than 12 months.

*Performance target:* The scheme administrator may in respect of each Award and subject to all applicable laws, rules and regulations determine such performance targets or other criteria or conditions for vesting of Awards in its sole and absolute discretion. Where performance targets, criteria or conditions are to be specified in the relevant Award Letter, the scheme administrator may determine such targets, criteria or conditions based on, among other considerations: (i) for directors and members of senior management of the Company, business or financial milestones, transaction milestones, performance appraisal within a specified period reaching a desirable level, or the grantee's anticipated future contribution to the Group (including with respect to their experience, expertise, insight, participation in specific projects, or achievement of specific work targets etc.), (ii) for other employee participants, performance appraisal within a specified period reaching a desirable level, or the grantee's anticipated future contribution to the Group (including with respect to their experience, expertise, insight, participation in specific projects, or achievement of specific work targets etc.), and (iii) for related entity participants, the Grantee's anticipated future contribution to the long-term development of the Group (including with respect to their experience, expertise, insight, participation in specific projects, or achievement of specific work targets or business collaboration targets etc.). The scheme administrator shall specify in the Award Letter the person(s) of the Company that will assess how and whether such targets, criteria or conditions are satisfied.

The Board and the remuneration committee of the Board believe that it is in the best interests of the Company to retain the flexibility to impose appropriate conditions in light of the particular circumstances of each grant, which would then be a more meaningful reward for each eligible participant's contribution or potential contribution. It is considered that by having the flexibility of having a shorter vesting period than 12 months in appropriate circumstances,

the Group will be in a better position to attract and retain suitable eligible participants to continue serving the Group whilst at the same time providing them with incentive in achieving the goals of the Group, and thereby to achieve the purpose of the 2022 Share Incentive Plan. Further, by allowing the Company to require the eligible participant to achieve such performance targets as may be stipulated in the Award Letter on a case by case basis, the Company may be in a better position to incentivise suitable eligible participants to deliver high quality work or to complete specified projects or goals important to the Group, which is in line with the purpose of the 2022 First Incentive Plan. Where Awards are granted to directors or senior management of the Company with a vesting period shorter than 12 months, the views of the remuneration committee on why a shorter vesting period is appropriate, and where such Awards are without performance targets, the views of the remuneration committee on why performance targets are not necessary and how the grants align with the purpose of the plan, will be included in the announcement to be issued after any grant of Awards as required by the Listing Rules.

***(h) Exercise or Vesting of Awards***

*Exercise/vesting of an Award*

After the applicable vesting date for any Award:

(i) Share Option may be exercised in whole or in part by the grantee giving notice in writing to the Company together with a remittance for the required exercise price. Within 10 business days after receipt of the notice and related remittance in full, the Company shall allot and issue to the grantee the relevant Award Shares; and

(ii) for a Share Award, within 10 business days following the vesting date, subject to receipt in full of the aggregate issue price payable (if any), the Company shall allot and issue to the Grantee the relevant number of Award Shares.

*Payment of exercise price or issue price*

The scheme administrator shall determine the methods by which the exercise price or the issue price may be paid, such payment methods may include, without limitation: (i) cash or check denominated in any local currency as approved by the scheme administrator, (ii) deduction by the Company of such number of Award Shares with an aggregate fair market value on the day of exercise (in the case of Share Options) or vesting (in the case of Share Awards) equal to the aggregate exercise price or issue price payable, (iii) Shares held for such period of time as may be required by the scheme administrator in order to avoid adverse financial accounting consequences and having a fair market value on the day of exercise/vesting equal to the aggregate exercise price or issue price, (iv) the delivery of a notice that the grantee has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Share Option or the vesting of the Share Award, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the exercise price or issue price, provided that payment of such

proceeds is then made to the Company upon settlement of such sale, (v) other property acceptable to the scheme administrator with a fair market value equal to the aggregate exercise price or purchase price, or (vi) any combination of the foregoing, provided that: (A) in respect of methods (ii) and (iii), unless otherwise determined by the scheme administrator, the "fair market value" per Share shall be the higher of: the closing price of the Shares on the day of exercise/vesting, and the average closing price of the Shares for the five business days immediately preceding the day of exercise/vesting; (B) in respect of methods (ii) and (iii), Shares delivered by the grantee or deducted by the Company in payment of any exercise price or issue price may not be granted or awarded under the plan again; and (C) no grantee shall be permitted to pay any exercise price or issue price in any method which would violate the Listing Rules or any applicable laws and regulations.

*Award Shares*

The Award Shares to be allotted and issued under the plan shall be identical to all existing issued Shares and shall be allotted and issued subject to all the provisions of the articles of association of the Company for the time being in force and will rank *pari passu* with the other fully paid Shares in issue on the date the name of the grantee is registered on the register of members of the Company.

For the purposes of satisfying the issuance of Shares following the exercise/vesting of an Award, to the extent that, at the determination of the scheme administrator, it is not practicable for the grantee to receive Award Shares due to applicable legal or regulatory restrictions, the scheme administrator may sell on-market at prevailing market prices the number of Shares to be so issued and pay to the grantee the actual selling price of such Shares.

***(i) Cancellation and lapse of Awards***

Any Awards granted but not exercised may be cancelled by the scheme administrator at any time with the prior consent of the grantee. Issuance of new Awards to the same grantee whose Awards have been cancelled may only be made if there are unissued Awards available under the Scheme Mandate (excluding the Awards of the relevant grantee so cancelled) and in compliance with the terms of the plan.

Without prejudice to the authority of the scheme administrator to provide additional situations when an Award shall lapse in the Award Letter, an Award shall lapse automatically (to the extent not already vested and, where relevant, exercised) on the earliest: (a) the expiry of any applicable exercise period; (b) the date on which the Board makes a determination under the clawback clause of the plan; and (c) the expiry of any of the periods for exercising a Share Option due to ceasing to be an eligible participant; (d) the date on which the grantee commits a breach of transferability. The scheme administrator shall have the power to decide whether an Award shall lapse and its decision shall be binding and conclusive.

***(j) Rights are personal to grantee***

Awards shall be personal to the grantee to whom they are made and shall not be assignable or transferable, except in circumstances where the written consent of the Company has been obtained and a waiver has been granted by the Stock Exchange for such transfer in compliance with the requirements of the Listing Rules and provided that any such transferee agrees to be bound by rules of the plan as if the transferee were the grantee.

***(k) Voting and dividend rights***

Awards do not carry any right to vote at general meetings of the Company, nor any right to dividends, transfer or other rights. No grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an Award unless and until the Award Shares are issued or transferred to the grantee pursuant to the vesting/exercise of such Awards. Where vested Award Shares are held on trust for the Grantee by the plan's trustee, a grantee may give instructions to the trustee to exercise the voting rights in respect of those Award Shares pursuant to, and to the extent permitted by, the trust deed.

***(l) Effects of alterations in the capital structure of the company***

In the event of any alteration in the capital structure of the Company by way of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party) after the adoption date, the scheme administrator shall make such corresponding adjustments, if any, as it in its discretion may deem appropriate to reflect such change with respect to: (i) the number of Shares constituting the Scheme Mandate Limit, (ii) the number of Shares in each Award to the extent any Award has not been exercised, (iii) the exercise price of any Share Option or Issue Price of any Share Award, or any combination thereof, as the auditors or financial advisor have certified satisfy the relevant requirements of the Listing Rules and are, in their opinion, fair and reasonable either generally or as regards any particular grantee, provided always that (i) any such adjustments should give each grantee the same proportion of the equity capital of the Company, rounded to the nearest whole Share, as that to which that grantee was previously entitled prior to such adjustments, and (ii) no such adjustments shall be made which would result in a Share being issued at less than its nominal value.

***(m) Ceasing to be an eligible participant***

*Clawback:* In the event that (a) a grantee ceases to be an eligible participant by reason of the termination of his/her employment or contractual engagement with the Group or related entity for cause or without notice or with payment in lieu of notice; (b) a grantee has been convicted of a criminal offence involving his/her integrity or honesty; or (c) in the reasonable opinion of the Board, a grantee has engaged in serious misconduct or breaches the terms of the plan in any material respect, then the Board may make a determination at its absolute discretion that: (A) any Awards issued to that Grantee but not yet exercised shall immediately lapse,

regardless of whether such Awards have vested or not, (B) with respect to any Award Shares issued or transferred to that grantee, the grantee shall be required to transfer back to the Company or its nominee the equivalent number of Shares, or an amount in cash equal to the market value of such Shares, or a combination thereof, and/or (C) with respect to any Award Shares held by the trustee of the plan for the benefit of the grantee, those Award Shares shall no longer be held on trust for nor inure to the benefit of the grantee.

*Retirement:* If a grantee ceases to be an eligible participant by reason of his/her retirement: (i) any outstanding Awards not yet vested shall continue to vest in accordance with the vesting dates set out in the Award Letter, or such other period as the scheme administrator may determine at their sole discretion, and (ii) any vested Share Option may be exercised within the exercise period, failing which the Share Option shall lapse.

*Death or permanent incapacity:* If a grantee ceases to be an eligible participant by reason of death of the grantee, or the termination of his/her employment or contractual engagement with any member of the Group or related entity by reason of his/her permanent physical or mental disablement: (a) in the case of Share Options: any vested Share Option may be exercised within the exercise period by the personal representatives of the grantee. In the case where a grantee no longer has any legal capacity to exercise the Share Option, the vested Share Option may be exercised within that period by the persons charged with the duty of representing the Grantee under applicable laws. If the vested Share Option is not exercised within the time mentioned above, the Share Option shall lapse; and (b) in the case of Share Awards: any outstanding Share Awards not yet vested shall immediately vest, and the Company shall issue such number of Award Shares or pay the actual selling price pursuant to the vested Share Award to the legal personal representatives of the grantee or the persons charged with the duty of representing the grantee under applicable laws as soon as practicable following the death or incapacity of the grantee or, if the said issuance or payment would otherwise become bona vacantia, it shall be forfeited and shall lapse.

*Bankruptcy:* If a grantee is declared bankrupt or becomes insolvent or makes any arrangements or composition with his/her creditors generally, they shall cease to be an eligible participant under the plan and any Awards not yet vested and any outstanding Share Options not yet exercised shall immediately be forfeited and shall lapse, unless the scheme administrator determines otherwise at their absolute discretion.

*Other reasons:* If a grantee ceases to be an eligible participant for reasons other than those set out in the preceding provisions, (a) subject to the provisions of the clawback clause, a grantee may exercise any vested Share Options within 20 business days of such cessation or within the exercise period, whichever is the shorter, or such other period as the scheme administrator may decide in their sole discretion. If a Share Option is not exercised within the stipulated time, the Share Option shall be forfeited and shall lapse; and (b) any outstanding Awards not yet vested shall immediately be forfeited and shall lapse, unless the scheme administrator determines otherwise at their absolute discretion.

*(n) Alteration of the rules of the plan or any Award*

Subject to the below, the Board may amend any of the provisions of the plan or any Awards granted under the plan at any time and in any respect, provided that the terms of the plan or Awards so altered must comply with the relevant requirements of Chapter 17 of the Listing Rules.

No amendment shall be made to any provisions of the plan or any Awards to the extent that such amendment has a material adverse effect on any subsisting rights of any grantee at that date in respect of Awards already granted but not yet vested or lapsed or forfeited, without such grantee's consent, provided that no such consent shall be required if the scheme administrator determines that such amendment either: (i) is necessary or advisable in order for the Company, the plan or the Award to satisfy any applicable law or Listing Rules or to meet the requirements of, or avoid adverse consequences under, any accounting standard; or (ii) is not reasonably likely to diminish materially the benefits provided under such Award, or that any such diminishment has been adequately compensated.

The approval of the Shareholders in general meeting is required for any amendment or alteration to the terms of the plan which are of a material nature or to those provisions which relate to the matters set out in Rule 17.03 of the Listing Rules to the extent that such alteration or amendment operates to the advantage of eligible participants. Any change to the authority of the Board or the scheme administrator to alter the terms of the plan shall be subject to the approval of the Shareholders in general meeting.

Any amendment or alteration to the terms of any Award the grant of which was subject to the approval of a particular body shall be subject to approval by that same body, provided that this requirement does not apply where the relevant alteration takes effect automatically under existing terms of the plan. Without limiting the generality of the foregoing, any change in the terms of Awards granted to any grantee who is a director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by the Shareholders in general meeting in the manner required in the Listing Rules if the initial grant of the Awards requires such approval (except where the changes take effect automatically under the rules of the plan).

*(o) Termination*

The 2022 First Share Incentive Plan shall terminate on the earlier of: (a) the expiry of the scheme period, being the period of 10 years commencing on the adoption date and ending on the 10th anniversary of the adoption date of the plan; and (b) such date of early termination as determined by the Board, following which no further Awards will be offered or granted under the plan, provided that notwithstanding such termination, the plan and the rules thereof shall continue to be valid and effective to the extent necessary to give effect to the vesting and exercise of any Awards granted prior to the termination and such termination shall not affect any subsisting rights already granted to any grantee.

## 5. The 2022 Second Share Incentive Plan

The following is a summary of the principal terms of the 2022 Second Share Incentive Plan conditionally adopted by our Board by way of a written resolution passed on November 23, 2022 and which shall take effect from the Listing Date. The 2022 Second Share Incentive Plan is a share scheme funded by existing Shares.

### *(a) Purpose of the 2022 Second Share Incentive Plan*

The purpose of the 2022 Second Share Incentive Plan is to provide the Company with a flexible means of remunerating, incentivizing, retaining, rewarding, compensating and/or providing benefits to eligible participants; to align the interests of eligible participants with those of the Company and Shareholders by providing such eligible participants with the opportunity to acquire shareholding interests in the Company; and to encourage eligible participants to contribute to the long-term growth and profitability of the Company and to enhance the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole.

### *(b) Eligible participants*

Eligible participants include any person who is an (i) employee, director or officer of any member, or (ii) consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider (who as determined by the scheme administrator has contributed or will contribute to the growth of the Group), of (i) any member of the Group, (ii) a holding company of the Company, (iii) subsidiaries of the holding company other than members of the Group, or (iv) any company which is an associate of the Company.

### *(c) Administration*

The Board shall be responsible and have full authority for administering the plan in accordance with the rules of the plan. The authority to administer the Scheme may be delegated by the Board to a committee of the Board or to any other persons deemed appropriate at the sole discretion of the Board, including its powers to offer or grant Awards and to determine the terms and conditions of such Awards. The Company may establish a trust and appoint a trustee to hold Shares and other trust property under the trust for the purposes of implementing and administering the plan. Unless otherwise agreed between the Company and any trustee, the scheme administrator shall act on behalf of the Company to give instructions to and direct the trustee.

### *(d) Grant of Awards*

The Board or scheme administrator may, from time to time, in their absolute discretion select any eligible participant to be a grantee and, subject to the rules of the plan, grant an award under the plan ("**Award**") to such grantee during the scheme period. The nature, amount, terms and conditions of any such Award so granted shall be determined by the Board or scheme administrator in their sole and absolute discretion.

An Award may be take the form of: (i) an award which vests in the form of the right to purchase such number of Shares as the scheme administrator may determine at the purchase price in accordance with the terms of the plan ("**Share Award**"); or (ii) an award which vests in the form of the right to purchase such number of Shares as the scheme administrator may determine during the exercise period at the exercise price in accordance with the terms of the plan ("**Share Option**").

No Award shall be granted to any eligible participant in certain specified circumstances, including but not limited to:

(i) in circumstances prohibited by the Listing Rules or at a time when the relevant eligible participant would be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law;

(ii) where the Company is in possession of any unpublished inside information in relation to the Company, until (and including) the trading day after such inside information has been announced;

(iii) during the periods commencing one month immediately before the earlier of the date of the board meeting for approving the Company's results for any year, half-year, quarterly or any other interim period and the deadline for the Company to announce such results, and ending on the date of the results announcement, provided that such period will also cover any period of delay in the publication of any results announcement;

(iv) in circumstances which would result in a breach of the Scheme Mandate Limit, provided that to the extent permissible in accordance with applicable laws, rules and regulations an Award may be made conditional upon the Scheme Mandate Limit being refreshed,

and any such grant so made shall be null and void to the extent that it falls within the circumstances described above.

***(e) Maximum number of Shares***

The total number of Award Shares which may be granted under the 2022 Second Share Incentive Plan is 3,000,000 Shares, which shall consist of existing Shares only. For the avoidance of doubt, no new Shares shall be issued by the Company pursuant to the 2022 Second Share Incentive Plan.

The Company may refresh the Scheme Mandate Limit at any time, with the prior approval of the Board and subject to compliance with any additional requirements set out in the Listing Rules.

*(f) Award Letter and terms of an Award*

The Company shall, in respect of each Award, on the grant date issue a letter to each grantee setting out the terms and conditions of the Award (an "**Award Letter**"), which may include the number of Shares in respect of which the Award relates, the purchase price or exercise price (as applicable), the vesting criteria and conditions, the vesting date, any minimum performance targets that must be achieved and any such other details as the scheme administrator may consider necessary, and requiring the grantee to undertake to hold the Award on the terms of the Award Letter and be bound by the provisions of the rules of the plan.

The scheme administrator may determine the amount (if any) payable on application or acceptance of an Award and the period within which any such payments must be made, which amounts (if any) and periods shall be set out in the Award Letter.

*(g) Exercise or Vesting of Awards*

After the applicable vesting date for any Award:

(i) Share Option may be exercised in whole or in part by the grantee giving notice in writing to the scheme administrator together with a remittance for the required exercise price. Within 10 business days after receipt of the notice and related remittance in full, the scheme administrator shall transfer to the grantee the relevant Award Shares; and

(ii) for a Share Award, within 10 business days following the vesting date, subject to receipt in full of the aggregate purchase price payable (if any), the scheme administrator shall transfer to the Grantee the relevant number of Award Shares.

For the purposes of satisfying the transfer of Shares following the exercise/vesting of an Award, to the extent that, at the determination of the scheme administrator, it is not practicable for the grantee to receive Award Shares due to applicable legal or regulatory restrictions, the scheme administrator may sell on-market at prevailing market prices the number of Shares the grantee is entitled to and pay to the grantee the actual selling price of such Shares.

*(h) Cancellation and lapse of Awards*

Any Awards granted but not exercised may be cancelled by the scheme administrator at any time with the prior consent of the grantee.

Without prejudice to the authority of the scheme administrator to provide additional situations when an Award shall lapse in the Award Letter, an Award shall lapse automatically (to the extent not already vested and, where relevant, exercised) on the earliest: (a) the expiry of any applicable exercise period; (b) the date on which the Board makes a determination under the clawback clause of the plan; and (c) the expiry of any of the periods for exercising a Share

Option due to ceasing to be an eligible participant; (d) the date on which the grantee commits a breach of transferability. The scheme administrator shall have the power to decide whether an Award shall lapse and its decision shall be binding and conclusive.

***(i) Rights are personal to grantee***

Awards shall be personal to the grantee to whom they are made and shall not be assignable or transferable, except in circumstances where the written consent of the Company has been obtained and provided that any such transferee agrees to be bound by rules of the plan as if the transferee were the grantee.

***(j) Voting and dividend rights***

No grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an Award unless and until the Award Shares are transferred to the grantee pursuant to the vesting/exercise of such Awards. Where Award Shares are held on trust for the Grantee by the plan's trustee, a grantee may give instructions to the trustee to exercise the voting rights in respect of those Award Shares pursuant to, and to the extent permitted by, the trust deed.

***(k) Effects of alterations in the capital structure of the company***

In the event of any alteration in the capital structure of the Company (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party) after the adoption date, the scheme administrator shall make such corresponding adjustments, if any, as it in its discretion may deem appropriate to reflect such change with respect to: (i) the number of Shares constituting the Scheme Mandate Limit, (ii) the number of Shares in each Award to the extent any Award has not been exercised, (iii) the exercise price of any Share Option or purchase price of any Share Award, or any combination thereof, as the auditors or financial advisor have certified satisfy the relevant requirements of the Listing Rules and are, in their opinion, fair and reasonable either generally or as regards any particular grantee, provided always that (i) any such adjustments should give each grantee the same proportion of the equity capital of the Company, rounded to the nearest whole Share, as that to which that grantee was previously entitled prior to such adjustments, and (ii) no such adjustments shall be made which would result in a Share being purchased or transferred at less than its nominal value.

***(l) Ceasing to be an eligible participant***

*Clawback:* In the event that (a) a grantee ceases to be an eligible participant by reason of the termination of his/her employment or contractual engagement with the Group or related entity for cause or without notice or with payment in lieu of notice; (b) a grantee has been convicted of a criminal offence involving his/her integrity or honesty; or (c) in the reasonable opinion of the Board, a grantee has engaged in serious misconduct or breaches the terms of the plan in any material respect, then the Board may make a determination at its absolute discretion that: (A) any Awards issued to that grantee but not yet exercised shall immediately lapse,

regardless of whether such Awards have vested or not, (B) with respect to any Award Shares transferred to that grantee, the grantee shall be required to transfer back to the Company or its nominee the equivalent number of Shares, or an amount in cash equal to the market value of such Shares, or a combination thereof, and/or (C) with respect to any Award Shares held by the trustee of the plan for the benefit of the grantee, those Award Shares shall no longer be held on trust for nor inure to the benefit of the grantee.

*Retirement:* If a grantee ceases to be an eligible participant by reason of his/her retirement: (i) any outstanding Awards not yet vested shall continue to vest in accordance with the vesting dates set out in the Award Letter, or such other period as the scheme administrator may determine at their sole discretion, and (ii) any vested Share Option may be exercised within the exercise period, failing which the Share Option shall lapse.

*Death or permanent incapacity:* If a grantee ceases to be an eligible participant by reason of death of the grantee, or the termination of his/her employment or contractual engagement with any member of the Group or related entity by reason of his/her permanent physical or mental disablement: (a) in the case of Share Options: any vested Share Option may be exercised within the exercise period by the personal representatives of the grantee. In the case where a grantee no longer has any legal capacity to exercise the Share Option, the vested Share Option may be exercised within that period by the persons charged with the duty of representing the Grantee under applicable laws. If the vested Share Option is not exercised within the time mentioned above, the Share Option shall lapse; and (b) in the case of Share Awards: any outstanding Share Awards not yet vested shall immediately vest, and the Company shall transfer such number of Award Shares or pay the actual selling price pursuant to the vested Share Award to the legal personal representatives of the grantee or the persons charged with the duty of representing the grantee under applicable laws as soon as practicable following the death or incapacity of the grantee or, if the said issuance or payment would otherwise become bona vacantia, it shall be forfeited and shall lapse.

*Bankruptcy:* If a grantee is declared bankrupt or becomes insolvent or makes any arrangements or composition with his/her creditors generally, they shall cease to be an eligible participant under the plan and any Awards not yet vested and any outstanding Share Options not yet exercised shall immediately be forfeited and shall lapse, unless the scheme administrator determines otherwise at their absolute discretion.

*Other reasons:* If a grantee ceases to be an eligible participant for reasons other than those set out in the preceding provisions, (a) subject to the provisions of the clawback clause, a grantee may exercise any vested Share Options within 20 business days of such cessation or within the exercise period, whichever is the shorter, or such other period as the scheme administrator may decide in their sole discretion. If a Share Option is not exercised within the stipulated time, the Share Option shall be forfeited and shall lapse; and (b) any outstanding Awards not yet vested shall immediately be forfeited and shall lapse, unless the scheme administrator determines otherwise at their absolute discretion.

*(m) Alteration of the rules of the plan or any Award*

Subject to the below, the Board may amend any of the provisions of the plan or any Awards granted under the plan at any time and in any respect. No amendment shall be made to any provisions of the plan or any Awards to the extent that such amendment has a material adverse effect on any subsisting rights of any grantee at that date in respect of Awards already granted but not yet vested or lapsed or forfeited, without such grantee's consent, provided that no such consent shall be required if the scheme administrator determines that such amendment either: (i) is necessary or advisable in order for the Company, the plan or the Award to satisfy any applicable law or Listing Rules or to meet the requirements of, or avoid adverse consequences under, any accounting standard; or (ii) is not reasonably likely to diminish materially the benefits provided under such Award, or that any such diminishment has been adequately compensated. Any amendment or alteration to the terms of any Award the grant of which was subject to the approval of a particular body shall be subject to approval by that same body, provided that this requirement does not apply where the relevant alteration takes effect automatically under existing terms of the plan.

*(n) Termination*

The 2022 Second Share Incentive Plan shall terminate on the earlier of: (a) the expiry of the scheme period, being the period of 10 years commencing on the adoption date and ending on the 10th anniversary of the adoption date of the plan; and (b) such date of early termination as determined by the Board, following which no further Awards will be offered or granted under the plan, provided that notwithstanding such termination, the plan and the rules thereof shall continue to be valid and effective to the extent necessary to give effect to the vesting and exercise of any Awards granted prior to the termination and such termination shall not affect any subsisting rights already granted to any grantee.

## E. OTHER INFORMATION

### 1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

### 2. Litigation

Save as disclosed under "Business – Legal proceedings and compliance," no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

## 3. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive an aggregate of US$500,000 for acting as the sponsor for the Listing.

## 4. Consent of experts

This document contains statements made by the following experts:

| Name | Qualification |
|---|---|
| Merrill Lynch (Asia Pacific) Limited | A licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO |
| JunHe LLP | Qualified PRC lawyers |
| Maples and Calder (Hong Kong) LLP | Legal Advisor to our Company as to the laws of BVI |
| PricewaterhouseCoopers | Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)<br>Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong) |
| Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. | Industry consultant |

As at the Latest Practicable Date, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Each of the experts named above have given and have not withdrawn their respective written consent to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

## 5. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

## 6. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

## 7. Preliminary expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

## 8. Disclaimers

(a) Save as disclosed in "History, Reorganization and Corporate Structure" and "Underwriting," within the two years immediately preceding the date of this document:

(i) there are no commissions (but not including commission to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and

(ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in "– Other information – Consent of experts" received any such payment or benefit.

(b) Save as disclosed in this section and "Financial Information":

(i) there are no founder, management or deferred shares in our Company or any member of our Group;

(ii) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this document, or are proposed to be paid, allotted or given to any promoters;

(iii) none of the Directors or the experts named in "– Other information – Consent of experts" above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iv) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;

(v) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;

(vi) there are no outstanding debentures or any convertible debt securities of our Company or any member of our Group;

(vii) there is no other stock exchange on which any part of the equity or debt securities of our Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought;

(viii) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option;

(ix) there are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested or which is significant in relation to the business of our Group;

(x) there is no arrangement under which future dividends are waived or agreed to be waived; and

(xi) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

## DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) a copy of the **GREEN** Application Form;

(b) the written consents referred to in "Statutory and general information – Other information – Consent of experts" in Appendix IV; and

(c) a copy of the material contract referred to in "Statutory and general information – Further information about our business – Summary of material contract" in Appendix IV.

## DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.dpcdash.com** during a period of 14 days from the date of this document:

(a) the Memorandum and the Articles;

(b) the material contract referred to in "Statutory and general information – Further information about our business – Summary of material contract" in Appendix IV;

(c) the service contracts and the letters of appointment with our Directors referred to in "Statutory and general information – Further information about our Directors – Particulars of Directors' service contracts and appointment letters" in Appendix IV;

(d) the report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a summary of which is set forth in "Industry overview";

(e) the PRC legal opinions issued by JunHe LLP, our legal advisor on PRC law, in respect of certain general corporate matters and properties in the PRC of our Group;

(f) the Accountant's Report and the report on the unaudited pro forma financial information of our Group prepared by PricewaterhouseCoopers, the texts of which are set out in Appendices I and II;

(g) the audited consolidated financial statements of our Group for the three financial years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022;

(h) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisor on British Virgin Islands law, summarising certain aspects of BVI company law referred to in Appendix III;

(i) the BVI Business Companies Act;

(j) the written consents referred to in the section headed "Statutory and general information – Other information – Consent of experts" in Appendix IV; and

(k) the terms of the Share Incentive Plans.

Domino's Pizza
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