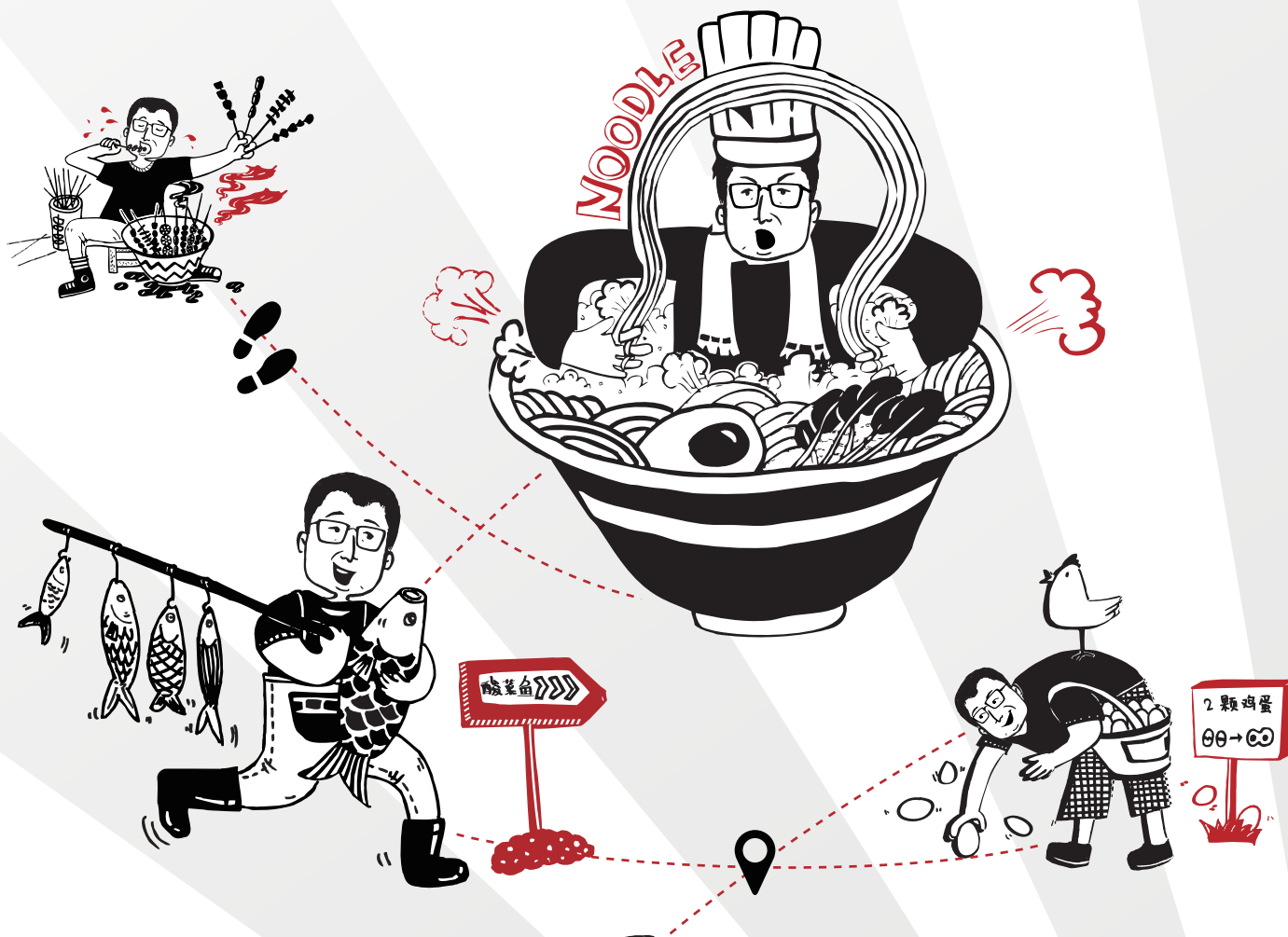


九毛九国际控股有限公司 Jiumaojiu International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9922



GLOBAL OFFERING

Sole Sponsor



Joint Global Coordinators and Joint Bookrunners



IMPORTANT

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

Jiumaojiu International Holdings Limited

九毛九国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 333,400,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 33,340,000 Shares (subject to reallocation)
Number of International Offer Shares	: 300,060,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$6.60 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: US\$0.0000001 per Share
Stock code	: 9922

Sole Sponsor



Joint Global Coordinators and Joint Bookrunners



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

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" 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 of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on or about Wednesday, January 8, 2020 and, in any event, not later than Monday, January 13, 2020. The Offer Price will be not more than HK\$6.60 per Offer Share and is currently expected to be not less than HK\$5.50 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$6.60 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK\$6.60 per Offer Share. If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on or before Monday, January 13, 2020 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Hong Kong Underwriters), with the consent of our Company, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors." The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offering Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain events occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination." It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

December 30, 2019

EXPECTED TIMETABLE

Hong Kong Public Offering commences
and **WHITE** and **YELLOW** Application
Forms available from 09:00 a.m. on Monday, December 30, 2019

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 Wednesday, January 8, 2020

Application lists open⁽³⁾ 11:45 a.m. on Wednesday, January 8, 2020

Latest time for lodging **WHITE** and **YELLOW** Application
Forms 12:00 noon on Wednesday, January 8, 2020

Latest time for completing payment of **White Form eIPO**
applications by effecting internet banking transfer(s)
or PPS payment transfer(s) 12:00 noon on Wednesday, January 8, 2020

Latest time for giving **electronic application**
instructions to HKSCC⁽⁴⁾ 12:00 noon on Wednesday, January 8, 2020

Application lists close⁽³⁾ 12:00 noon on Wednesday, January 8, 2020

Expected Price Determination Date⁽⁵⁾ Wednesday, January 8, 2020

Announcement of:

(1) the final Offer Price, the level of indication 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 Offer
Shares to be published in the South China Morning
Post (in English) and the Hong Kong Economic
Times (in Chinese) on Tuesday, January 14, 2020

(2) the results of allocations in the Hong Kong Public
Offering (with successful applicants' identification
document or business registration numbers, where
appropriate) to be available through a variety of
channels as described in "How to Apply for Hong
Kong Offer Shares — 11. Publication of Results" Tuesday, January 14, 2020

(3) the Hong Kong Public Offering containing (1) and
(2) above to be published on the website of the
Hong Kong Stock Exchange at www.hkexnews.hk
and our Company's website
at www.jiumaojiu.com⁽⁶⁾ from Tuesday, January 14, 2020

EXPECTED TIMETABLE

Results of allocations in the Hong Kong Public Offering will be available 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 Tuesday, January 14, 2020

Dispatch of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before^{(7) (9)} Tuesday, January 14, 2020

Dispatch of refund cheques and e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before^{(8) (9)} Tuesday, January 14, 2020

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence on Wednesday, January 15, 2020

The application for the Hong Kong Offer Shares will commence on Monday, December 30, 2019 through Wednesday, January 8, 2020, being longer than normal market practice of four days. The application monies (including the brokerage fees, SFC transaction levies and Stock Exchange trading fees) will be held by the Receiving Bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, January 14, 2020. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, January 15, 2020.

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 submitting 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 a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force and/or Extreme Conditions in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, January 8, 2020, the application lists will not open or close on that day. Please see “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists”.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should see “How to Apply for Hong Kong Offer Shares — 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS”.
- (5) The Price Determination Date is expected to be on or around Wednesday, January 8, 2020 and, in any event, on or before Monday, January 13, 2020. If, for any reason, our Company and the Joint Global Coordinators (on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Monday, January 13, 2020, the Global Offering will not proceed and will lapse.

EXPECTED TIMETABLE

- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) Share certificates will only become valid at 8:00 a.m. on Wednesday, January 15, 2020 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 prior to the receipt of Share certificates or the Share certificates becoming valid do so 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 also in respect of wholly or partially successful applications 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 cheque, 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 cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number invalidates or delays encashment of the refund cheque.
- (9) Applicants who have applied on **WHITE** Application Forms or through the **White Form eIPO** service for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, January 14, 2020 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorize any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend by their authorized representatives bearing a letter of authorization from their corporation stamped with the company’s chop. Both individuals and authorized representatives of corporations must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to their or the designated CCASS Participant’s stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should see “How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies — Personal Collection — (iv) If you apply via **electronic application instructions** to HKSCC”.

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 that 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 cheques by ordinary post at their own risk. Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants’ own risk, to the addresses specified in the relevant applications on or before Tuesday, January 14, 2020.

Further information is set out in “How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies” and “How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies”.

The above expected timetable is a summary only. You should see “Structure of the Global Offering” and “How to Apply for Hong Kong 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 Offer Shares.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Jiumaojiu International Holdings Limited solely in connection with the Hong Kong Public Offering and the Hong Kong 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 Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms 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 prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, representatives, affiliates, employees, agents or any other person or party involved in the Global Offering. Information contained in our website, located at www.jiumaojiu.com, does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading Chinese cuisine restaurant brand manager and operator in China, focusing on serving cuisines with quick services, and creating a casual and upscale ambience with modern decoration of our restaurants which are primarily located in shopping malls. As of the Latest Practicable Date, we operated 287 restaurants and managed 41 franchised restaurants, covering 39 cities in 15 provinces and four municipalities in the PRC.

According to Frost & Sullivan, our two major brands, Jiu Mao Jiu ranked second among all northwestern Chinese cuisine restaurants in China, and Tai Er ranked first among all Chinese sauerkraut fish restaurants in China, both in terms of revenue in 2018.

In pursuit of our philosophy of serving delicacies at affordable prices (“好吃不貴”), we are fully devoted to providing marvelous dining experience to our customers through exquisite dishes, high-quality services and unique dining ambience. Innovation has been deeply rooted in our corporate culture. Throughout our operating history of more than two decades, we have been constantly improving our recipes, services and restaurant style to cater to the prevailing market trend and customers’ preferences.

We currently manage and operate five self-developed distinctive brands, namely, Jiu Mao Jiu, Tai Er, Double Eggs, Cooking Spicy Kebab and Uncle Chef. The following table sets forth the feature and business scale of each of the five brands as of the Latest Practicable Date:

Brands	Jiu Mao Jiu	Tai Er	Double Eggs	Cooking Spicy Kebab	Uncle Chef
					
Theme cuisines/dish	Northwestern Chinese cuisines incorporating food styles of other regions of China	Pickled Chinese sauerkraut fish (老罐子酸菜魚)	Chinese style crepes (煎餅)	Sichuan cold pot skewers (冷鍋串串)	Delicate Cantonese cuisines
Brand orientation	Reliable and hygienic dining (放心餐桌)	Unique and amusing	Healthy, convenient and fast	Stylish gathering place	Your classy chef
Target customers	Families and groups	Young customers	Young customers	Young customers	Medium to high-end customers
Average spending per customer	RMB50–70	RMB70–90	RMB20–30	RMB50–70	RMB120–150
GFA per restaurant	250–400m ²	200–300m ²	10–40m ²	120–200m ²	300–500m ²
Number of restaurants as of the Latest Practicable Date	Self-operated: 143	Self-operated: 121	Self-operated: 21 Franchised: 41	Self-operated: 1	Self-operated: 1

SUMMARY

RESTAURANT NETWORK

As of the Latest Practicable Date, we owned and operated 143 Jiu Mao Jiu restaurants, 121 Tai Er restaurants, 21 Double Eggs restaurants, one Cooking Spicy Kebab restaurant and one Uncle Chef restaurant, and managed 41 franchised Double Eggs restaurants. Our restaurants are typically located in shopping malls. We plan to open approximately 370 new self-operated restaurants from 2019 to 2021, among which approximately 240 restaurants are under Tai Er, approximately 54 restaurants are under Jiu Mao Jiu, and approximately 76 restaurants are under our other brands. We plan to have approximately 460 new franchised Double Eggs restaurants from 2019 to 2021.

The following table sets forth the movement in the total number of our self-operated and franchised restaurants during the Track Record Period and up to the Latest Practicable Date:

	For the year ended December 31,			For the six months ended June 30,	From July 1, 2019 to the Latest Practicable Date
	2016	2017	2018	2019	
Restaurant count at the beginning of the period	142	141	175	241	297
Newly opened restaurants	12	41	76	68	43
Closed restaurants	13	7	10	12	12
Net increase/(decrease)	(1)	34	66	56	31
Restaurant count at the end of the period	<u>141</u>	<u>175</u>	<u>241</u>	<u>297</u>	<u>328⁽¹⁾</u>

Note:

- As of the Latest Practicable Date, four Jiu Mao Jiu restaurants and one Tai Er restaurant had suspended their operations since they had not been able to complete the applications for the relevant Fire Safety Inspection Approvals due to issues attributable to the owners of the relevant properties or the nature of such properties. See "Business — Fire Safety — Update on Our Fire Safety Compliance" for more details.

OUR BUSINESS

Restaurant Performance

Jiu Mao Jiu and Tai Er are our two leading brands, revenue from which accounted for more than 98% of our total revenue during the Track Record Period. The following table sets forth certain key operating data with respect to Jiu Mao Jiu and Tai Er for the periods indicated. Where applicable, the revenue in the table represents revenue from dine-in, delivery and sales of specialities. Revenue from delivery has not been taken into account in computation of seat turnover rate.

	As of/for the year ended December 31,			As of/for the six months ended June 30,	
	2016	2017	2018	2018 (unaudited)	2019
Jiu Mao Jiu ⁽¹⁾					
Average spending per customer (RMB) ⁽³⁾					
Tier 1 cities	49	53	54	54	57
New tier 1 cities	47	50	53	52	53
Tier 2 cities	47	51	52	51	55
Tier 3 cities and below	46	49	51	52	56
Overall	<u>48</u>	<u>52</u>	<u>53</u>	<u>53</u>	<u>56</u>

SUMMARY

	As of/for the year ended December 31,			As of/for the six months ended June 30,	
	2016	2017	2018	2018	2019
				<i>(unaudited)</i>	
Seat turnover rate (X) ⁽⁴⁾					
Tier 1 cities	2.8	2.6	2.6	2.6	2.5
New tier 1 cities	2.0	2.1	2.0	2.1	2.0
Tier 2 cities	2.2	2.3	2.2	2.2	2.1
Tier 3 cities and below	2.4	2.3	2.2	2.3	2.2
Overall	2.5	2.4	2.4	2.4	2.3
Tai Er ⁽²⁾					
Average spending per customer (RMB) ⁽³⁾					
Tier 1 cities	66	72	74	74	77
New tier 1 cities	—	—	73	—	75
Tier 2 cities	—	66	69	68	71
Tier 3 cities and below	62	63	67	67	68
Overall	65	69	72	72	75
Seat turnover rate (X) ⁽⁴⁾					
Tier 1 cities	3.6	4.6	5.2	5.3	5.0
New tier 1 cities	—	—	3.9	—	4.2
Tier 2 cities	—	4.3	4.8	4.5	5.5
Tier 3 cities and below	3.6	4.0	4.2	4.3	4.3
Overall	3.6	4.5	4.9	5.0	4.9

Notes:

1. Performance of Machang Restaurant which the Group operates is excluded. See “Relationship with Controlling Shareholders — Competing Interest.”
2. The Group has 40.0% equity interest in a Tai Er restaurant in Canada. However, that restaurant is under the operation of the Group’s local partner and therefore its performance is not included.
3. Calculated by dividing revenue for the period by total customer traffic for the period.
4. Calculated by dividing total customer traffic by the product of total restaurant operation days and average seat count during the period.

Pricing

We have established pricing guidelines for each of the brands we manage and operate. We generally follow the “same price for restaurants under the same brand in the same city” principle, while allowing slight adjustments in pricing based on where the restaurants are located. We update our pricing from time to time to reflect market trends and general economic conditions. As is customary in the catering service market, we typically do not pass on short-term price increase of our major ingredients to our customers.

Procurement

We place great emphasis on sourcing food ingredients from reliable suppliers to ensure the quality and safety of the ingredients. We have formulated a comprehensive set of criteria for selecting suppliers. We had 336 authorized suppliers as of June 30, 2019. However, for key food ingredients, we generally only cooperate with major suppliers. Furthermore, we prefer to work with large suppliers with whom we have developed long-standing relationships. On average, we have over three years of business relationships with our major suppliers.

SUMMARY

BUSINESS MODEL

Our restaurants are operated under two main business models — self-operated (including Jiu Mao Jiu, Tai Er, Double Eggs, Cooking Spicy Kebab and Uncle Chef) and franchised (Double Eggs). During the Track Record Period, over 99% of our revenue was generated from our self-operated restaurants.

ORGANIZATION STRUCTURE

We adopt an organizational structure that facilitates brand-specific innovation and extensive coordination and sharing of expertise among the brands within our Group. We confer to the brand managers and their respective teams certain percentage of equity interests in the brand that they manage. See “Business — Organizational Structure — Brand-specific Management.”

STRENGTHS

We believe our competitive strengths are as follows, each of which is discussed in detail in “Business — Our Competitive Strengths”:

- leading Chinese cuisine restaurant brand manager and operator;
- highly standardized and scalable business model which facilitates rapid growth;
- our open, innovative and co-winning corporate culture enabling us to keep pace with market trends;
- relentless pursuit of excellent dining experience by providing quality food and services to build trusted and popular restaurant brands;
- stringent food safety and quality control system; and
- experienced and competent management team.

STRATEGIES

We plan to pursue the following strategies, each of which is discussed in detail in “Business — Our Growth Strategies”:

- replicate our success through further expansion;
- continue to expand into more market segments by pursuing a multi-brand and multi-concept strategy;
- continue to strengthen our supply and support capabilities; and
- expand into the global markets to gain international presence.

RISK FACTORS

There are certain risks and uncertainties involved in our operations, many of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to doing business in China; and (iv) risks relating to the Global Offering and our Shares. Detailed discussions on all the risk factors involved are set forth in “Risk Factors” and you should read the whole section carefully before you decide to invest in the Global Offering. Some of the major risks we face include:

- our future growth depends on our ability to open and profitably operate new restaurants. We may not be able to successfully enter into new markets;
- we may not be able to maintain and increase the sales and profitability of our existing restaurants;
- if we cannot obtain desirable restaurant locations or secure renewal of existing leases on commercially reasonable terms, our business, results of operations and ability to implement our growth strategy will be materially and adversely affected;

SUMMARY

- our current restaurant locations may become unattractive, which may have a material adverse effect on our business, financial condition and results of operations; and
- if we are unable to manage our growth effectively, our business and financial results may be materially and adversely affected.

OUR CONTROLLING SHAREHOLDERS AND PRE-IPO INVESTORS

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account options which may be granted under the Share Option Scheme), Mr. Guan, through his holding company, GYH BVI, will hold and be entitled to exercise in general meetings voting rights attached to Shares representing approximately 46.08% of the total issued share capital of our Company. Accordingly, Mr. Guan and GYH BVI will continue to be our Controlling Shareholders under the Listing Rules. Our Pre-IPO Investors, Eskdale BVI, an investment fund, and GDF BVI, YSY BVI, FY BVI and HQ BVI (investment holding companies of four individual financial investors, namely Mr. Gao Defu, Ms. Ye Shangying, Mr. Fu Yong and Ms. Huang Qin, all of whom are independent third parties), held Shares representing 15.00%, 3.00%, 0.80%, 0.3333% and 1.1667% of our total issued share capital as of the Latest Practicable Date, respectively. We have entered into certain transactions with Mr. Guan, our Controlling Shareholder, which will constitute continuing connected transactions upon Listing. See “Connected Transactions.”

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

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

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations. Each item has also been expressed as a percentage of our total revenue for each period indicated.

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(In thousands, except for percentages)									
	(unaudited)									
Revenue	1,164,256	100.0	1,469,183	100.0	1,892,821	100.0	874,491	100.0	1,237,138	100.0
Other revenue	1,445	0.1	2,255	0.2	2,583	0.1	1,009	0.1	1,906	0.2
Raw materials and consumables used	(384,058)	(33.0)	(512,510)	(34.9)	(671,860)	(35.5)	(295,333)	(33.8)	(435,002)	(35.2)
Staff costs	(327,714)	(28.1)	(400,227)	(27.2)	(523,479)	(27.7)	(239,524)	(27.4)	(320,073)	(25.9)
Depreciation of right-of-use assets	(109,968)	(9.4)	(128,623)	(8.8)	(154,840)	(8.2)	(73,238)	(8.4)	(104,555)	(8.5)
Other rentals and related expenses	(5,998)	(0.5)	(9,214)	(0.6)	(29,130)	(1.5)	(13,288)	(1.5)	(21,460)	(1.7)
Depreciation and amortization of other assets	(64,773)	(5.6)	(76,208)	(5.2)	(81,345)	(4.3)	(38,717)	(4.4)	(49,239)	(4.0)
Utilities expenses	(73,385)	(6.3)	(79,657)	(5.4)	(93,776)	(5.0)	(44,414)	(5.1)	(50,456)	(4.1)
Travelling and related expenses	(7,210)	(0.6)	(10,241)	(0.7)	(14,435)	(0.8)	(4,640)	(0.5)	(5,465)	(0.4)
Listing expenses	—	—	—	—	—	—	—	—	(9,850)	(0.8)
Advertising and promotion expenses	(14,720)	(1.3)	(15,016)	(1.0)	(19,785)	(1.0)	(7,711)	(0.9)	(8,333)	(0.7)
Delivery service fees	(2,676)	(0.2)	(11,255)	(0.8)	(20,682)	(1.1)	(9,063)	(1.0)	(14,921)	(1.2)
Other expenses	(43,455)	(3.7)	(75,911)	(5.2)	(122,642)	(6.5)	(49,386)	(5.6)	(51,283)	(4.1)
Share of (losses)/profits of associates	(1,116)	(0.1)	(671)	(0.0)	(1,996)	(0.1)	(1,309)	(0.1)	1,087	0.1
Other net (losses)/income	(5,444)	(0.5)	(585)	(0.0)	1,208	0.1	879	0.1	(1,889)	(0.2)
Finance costs	(49,480)	(4.2)	(51,846)	(3.5)	(58,261)	(3.1)	(23,865)	(2.7)	(29,059)	(2.3)

SUMMARY

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(In thousands, except for percentages)									
	(unaudited)									
Profit before taxation	75,704	6.5	99,474	6.8	104,381	5.5	75,891	8.7	138,546	11.2
Income tax	(24,418)	(2.1)	(27,827)	(1.9)	(30,533)	(1.6)	(21,503)	(2.5)	(36,509)	(3.0)
Profit for the year/period	<u>51,286</u>	<u>4.4</u>	<u>71,647</u>	<u>4.9</u>	<u>73,848</u>	<u>3.9</u>	<u>54,388</u>	<u>6.2</u>	<u>102,037</u>	<u>8.2</u>
Attributable to:										
Equity Shareholders of the Company	51,862	4.5	66,861	4.6	69,648	3.7	51,154	5.8	92,562	7.5
Non-controlling interests	(576)	(0.0)	4,786	0.3	4,200	0.2	3,234	0.4	9,475	0.8
Total comprehensive income for the year/period	<u>51,286</u>	<u>4.4</u>	<u>71,647</u>	<u>4.9</u>	<u>73,848</u>	<u>3.9</u>	<u>54,388</u>	<u>6.2</u>	<u>102,037</u>	<u>8.2</u>
Non-IFRS measure:										
Operating profit	195,684	16.8	251,489	17.1	317,709	16.8	160,914	18.4	241,432	19.5
Adjusted net profit	<u>54,987</u>	<u>4.7</u>	<u>75,336</u>	<u>5.1</u>	<u>78,638</u>	<u>4.2</u>	<u>56,335</u>	<u>6.4</u>	<u>116,341</u>	<u>9.4</u>

We generate revenue from three segments classified by brands, including Jiu Mao Jiu, Tai Er and all other brands. Services provided by us or activities we engage in comprise (i) restaurant operations, (ii) delivery business, (iii) sales of specialities and (iv) others including franchising and management and operation of Machang Restaurant. Our revenue increased during the Track Record Period primarily due to (i) the increasing number of our self-operated restaurants from 142 as of January 1, 2016 to 262 as of June 30, 2019; and (ii) increasing same store sales of our restaurants under Jiu Mao Jiu, Tai Er and Double Eggs.

The following table sets forth a breakdown of our revenue by service lines for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(In thousands, except for percentages)									
	(unaudited)									
Restaurant operations	1,133,363	97.3	1,352,384	92.1	1,688,503	89.2	784,734	89.7	1,117,084	90.3
Delivery business	24,411	2.1	104,831	7.1	188,960	10.0	83,251	9.5	106,014	8.6
Sales of specialities	1,506	0.2	1,709	0.1	949	0.1	335	0.1	697	0.1
Others	4,976	0.4	10,259	0.7	14,409	0.7	6,171	0.7	13,343	1.0
Total	<u>1,164,256</u>	<u>100.0</u>	<u>1,469,183</u>	<u>100.0</u>	<u>1,892,821</u>	<u>100.0</u>	<u>874,491</u>	<u>100.0</u>	<u>1,237,138</u>	<u>100.0</u>

Non-IFRS Measures

We adopt operating profit and adjusted net profit, which are not required by or presented in accordance with IFRS, as important financial measures to supplement our consolidated financial statements. We believe that operating profit is helpful for investors and others to understand our multi-brand and multi-concept strategy by directly illustrating the profitability of our different brands, and that it is frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. The presentation of adjusted net profit facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider indicative of our operating performance. Listing expenses are one-off expenses in relation to the Global Offering. Equity-settled share-based payment expenses are non-operational expenses arising from granting restricted stock units to selected executives and employees, the amount of which may not directly correlate with the underlying performance of our business operations. We believe that the adjusted net profit is frequently used by other interested parties when evaluating the performance of a company. Our management uses such non-IFRS measures as additional measurement tools for business decision-making. Other companies in our industry may calculate these non-IFRS measures differently than we do. We believe that the non-IFRS measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the operating profit and the adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of the non-IFRS measures has limitations

SUMMARY

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. Our presentation of the non-IFRS measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Operating profit and operating profit margin

We define operating profit as revenue deducting (i) raw materials and consumables used, (ii) staff costs, (iii) depreciation of right-of-use assets, (iv) other rentals and related expenses, (v) depreciation and amortization of other assets, (vi) utilities expenses and (vii) delivery service fees. The following table sets forth our operating profit and operating profit margin by brands for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	Operating Profit	Operating Profit Margin (%)	Operating Profit	Operating Profit Margin (%)	Operating Profit	Operating Profit Margin (%)	Operating Profit	Operating Profit Margin (%)	Operating Profit	Operating Profit Margin (%)
	(RMB in thousands, except for percentages)									
	(unaudited)									
Jiu Mao Jiu	176,493	16.2	199,473	16.6	230,186	17.3	116,349	18.0	123,534	18.1
Tai Er	20,423	30.1	54,500	22.3	97,063	18.0	49,001	22.5	125,284	23.3
Other Brands	(1,232)	(29.9)	(2,484)	(11.5)	(9,540)	(51.4)	(4,436)	(39.7)	(7,386)	(45.5)
Total	195,684	16.8	251,489	17.1	317,709	16.8	160,914	18.4	241,432	19.5

The following table illustrates a reconciliation from profit before taxation to operating profit for the periods indicated by adding back group level overheads:

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
	(unaudited)				
Profit before taxation	75,704	99,474	104,381	75,891	138,546
Add:					
Other revenue	(1,445)	(2,255)	(2,583)	(1,009)	(1,906)
Travelling and related expenses	7,210	10,241	14,435	4,640	5,465
Listing expenses	—	—	—	—	9,850
Advertising and promotion expenses	14,720	15,016	19,785	7,711	8,333
Other expenses	43,455	75,911	122,642	49,386	51,283
Share of (losses)/profits of associates	1,116	671	1,996	1,309	(1,087)
Other net (losses)/income	5,444	585	(1,208)	(879)	1,889
Finance costs	49,480	51,846	58,261	23,865	29,059
Operating profit	195,684	251,489	317,709	160,914	241,432

The decrease in operating profit margin of Tai Er from 2016 to 2018 was primarily due to (i) the increase in raw materials and consumables used resulting from the price fluctuations of bass which is a major food ingredient of Tai Er and (ii) the increase in staff costs as we recruited and retained additional personnel as management team and restaurant staff in preparation for the opening of new Tai Er restaurants during the period.

The operating losses of other brands during the Track Record Period and the decrease in operating profit margin of other brands for the six months ended June 30, 2019 compared with the six months ended June 30, 2018 was primarily due to (i) the closing down of Coconut House in 2016, Bravo Sirloin in 2018 and Happy Mouth in 2019 and (ii) the relatively low operating profit margin of Cooking Spicy Kebab and Uncle Chef launched during the six months ended June 30, 2019 as restaurants under these new brands were still at the ramp-up stage.

SUMMARY

Adjusted net profit and adjusted net profit margin

We define adjusted net profit as profit for the year/period adjusted by excluding all non-recurring charges/gains, namely, adding (i) equity-settled share-based payment expenses and (ii) listing expenses. The following table illustrates a reconciliation from profit for the year/period to adjusted net profit for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands, except for percentages)				
	<i>(unaudited)</i>				
Profit for the year/period	51,286	71,647	73,848	54,388	102,037
Add:					
Equity-settled share-based payment expenses	3,701	3,689	4,790	1,947	4,454
Listing expenses	—	—	—	—	9,850
Adjusted net profit	<u>54,987</u>	<u>75,336</u>	<u>78,638</u>	<u>56,335</u>	<u>116,341</u>
Revenue	1,164,256	1,469,183	1,892,821	874,491	1,237,138
Net profit margin (%)	4.4	4.9	3.9	6.2	8.2
Adjusted net profit margin (%)	<u>4.7</u>	<u>5.1</u>	<u>4.2</u>	<u>6.4</u>	<u>9.4</u>

Our adjusted net profit margin for the six months ended June 30, 2019 increased significantly compared with the six months ended June 30, 2018, primarily because we opened 26 new Tai Er restaurants during the six months ended June 30, 2019, and Tai Er had the highest operating profit margin among all our brands.

For detailed analysis, see “Financial Information — Major Financial Ratios — Operating Profit Margin” and “Financial Information — Major Financial Ratios — Adjusted Net Profit Margin.”

Summary of Selected Items of Financial Position

	As of December 31,			As of	As of
	2016	2017	2018	June 30, 2019	October 31, 2019
	(RMB in thousands)				
	<i>(unaudited)</i>				
Current Assets					
Inventories	20,420	33,026	36,387	44,246	47,903
Trade and other receivables	85,055	96,063	124,476	158,434	170,297
Restricted bank deposits	4,005	1,605	6,003	8,019	6,019
Cash and cash equivalents	33,128	52,422	59,752	125,766	145,255
Total current assets	<u>142,608</u>	<u>183,116</u>	<u>226,618</u>	<u>336,465</u>	<u>369,474</u>
Current Liabilities					
Trade and other payables	138,639	150,112	234,195	410,827	411,053
Contract liabilities	1,098	986	856	736	208
Lease liabilities	103,321	111,698	143,588	165,794	167,122
Bank loans	38,904	20,000	49,104	51,874	19,294
Current taxation	6,413	7,667	12,313	26,371	18,966
Total current liabilities	<u>288,375</u>	<u>290,463</u>	<u>440,056</u>	<u>655,602</u>	<u>616,643</u>
Net Current Liabilities	<u>(145,767)</u>	<u>(107,347)</u>	<u>(213,438)</u>	<u>(319,137)</u>	<u>(247,169)</u>
Net Assets	<u>147,270</u>	<u>207,181</u>	<u>203,569</u>	<u>136,757</u>	<u>226,198</u>

The fluctuations in our net assets during the Track Record Period were primarily due to the considerations payable of RMB180.0 million recognized for the six months ended June 30, 2019 in connection with the acquisition of Guangzhou Jiumaojiu by JMJ Holdings as part of the Reorganization.

SUMMARY

The increase in our net current liabilities during the Track Record Period was mainly due to (i) the increase in our trade and other payables resulting from increasing purchases of renovation materials and food ingredients and the recruitment of new employees as we opened more restaurants, as well as considerations payable of RMB180.0 million recognized for the six months ended June 30, 2019, which was treated as a deemed distribution, in connection with the acquisition of Guangzhou Jiumaojiu by JMJ Holdings as part of the Reorganization, and (ii) the increase in our current lease liabilities recognized in accordance with IFRS 16 in relation to the expansion of our restaurant network. See “Financial Information — Working Capital” for detailed analysis.

Improvement measures

To improve our net current liabilities position and ensure working capital sufficiency, we have taken and/or will take the following measures:

- continue to improve our operating cash flow through business expansion: Our net cash generated from operating activities amounted to RMB261.7 million, RMB313.9 million, RMB372.6 million and RMB290.8 million in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively. We expect our net cash generated from operating activities in 2019 to increase significantly, as we opened 76 new restaurants in 2018, compared with 41 in 2017. 37 of the restaurants opened in 2018 were under Tai Er, which had a higher operating profit margin compared with our other brands. Our current assets are expected to increase as a result; and
- settle the consideration payables arising from the Reorganization with a syndicated loan facility, which is to be repaid using net proceeds from the Global Offering.

Impact of the adoption of IFRS 16 and accumulated losses at the beginning of the Track Record Period

IFRS 16 is effective for the accounting period beginning on or after January 1, 2019 and earlier application is permitted for entities that adopt IFRS 15 on or before the date of initial application of IFRS 16. The Group has elected to adopt IFRS 16 consistently throughout the Track Record Period. The adoption of IFRS 16 primarily affects the Group’s accounting as a lessee of leases for properties, plant and equipment which are classified as operating leases under IAS 17, *Leases*. We had accumulated losses of approximately RMB55.6 million as of January 1, 2016, primarily due to our retrospective adoption of IFRS 16 throughout the Track Record Period. Under IFRS 16, after the initial recognition of right-of-use assets, lease liabilities and provisions for restoration costs, we, as a lessee, were required to recognize (i) depreciation of right-of-use assets, (ii) interest expenses accrued on the outstanding balance of the lease liabilities and (iii) interest expenses accrued on the outstanding balance of provisions for restoration costs accordingly, instead of recognizing rental expenses incurred under operating leases on a straight-line basis over the lease term in accordance with IAS 17. The total amount of depreciation of right-of-use assets, interest expenses accrued on the outstanding balances of lease liabilities and interest expenses accrued on the outstanding balances of provisions for restoration costs was higher in the early periods and lower in the later periods of each lease. The front-loaded lease expenses recognition pattern resulted in the recognition of additional cumulative lease expenses of RMB70.3 million in aggregate to the opening balance of retained profits as of January 1, 2016. In addition, we conducted impairment tests for right-of-use assets of underperformed Jiu Mao Jiu restaurants and recognized impairment losses of right-of-use assets of RMB21.7 million to the opening balance of retained profits as of January 1, 2016. We would have had retained profits of RMB36.4 million at the beginning of the Track Record Period if the effect of the retrospective adoption of IFRS 16 was removed.

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Summary of Consolidated Cash Flow Statements

The following table sets forth our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)			(unaudited)	
Net cash generated from operating activities	261,699	313,898	372,563	194,530	290,835
Net cash used in investing activities	(98,732)	(90,008)	(151,730)	(51,750)	(64,306)
Net cash used in financing activities	(157,513)	(204,596)	(213,503)	(121,522)	(160,515)
Net increase in cash and cash equivalents	5,454	19,294	7,330	21,258	66,014
Cash and cash equivalents at the beginning of the year/period	27,674	33,128	52,422	52,422	59,752
Cash and cash equivalents at the end of the year/period	<u>33,128</u>	<u>52,422</u>	<u>59,752</u>	<u>73,680</u>	<u>125,766</u>

See “Financial Information — Liquidity and Capital Resources” for detailed analysis.

Major Financial Ratios

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
Net profit margin	4.4%	4.9%	3.9%	6.2%	8.2%
Adjusted net profit margin	4.7%	5.1%	4.2%	6.4%	9.4%
Return on average equity	41.7%	40.4%	36.0%	—	121.6%
Return on average assets	6.4%	8.0%	6.9%	—	16.0%

	As of December 31,			As of June 30,
	2016	2017	2018	2019
Current ratio	0.49	0.63	0.51	0.51
Quick ratio	0.42	0.52	0.43	0.45
Gearing ratio ⁽¹⁾	26.4%	9.7%	24.1%	37.9%

Note:

1. Gearing ratio equals interest-bearing bank loans divided by total equity and multiplied by 100%.

For details, see “Financial Information — Major Financial Ratios.”

GLOBAL OFFERING STATISTICS

All statistics in the table below are based on the assumption that the Over-allotment Option is not exercised.

	Based on an Offer Price of HK\$6.60 per Share	Based on an Offer Price of HK\$5.50 per Share
Market capitalization of our Shares ⁽¹⁾	HK\$8,800.4 million	HK\$7,333.7 million
Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share ⁽²⁾	HK\$1.65	HK\$1.39

SUMMARY

Notes:

1. The calculation of market capitalization is based on 333,400,000 new Shares expected to be issued under the Global Offering, and assuming that 1,333,400,000 Shares are in issue immediately following the completion of the Global Offering.
2. The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is calculated after making the adjustments referred to in Appendix II "Unaudited Pro Forma Financial Information" and on the basis that 1,333,400,000 Shares are in issue, which represents the number of Shares in issue immediately following the completion of the Global Offering.

LISTING EXPENSES

The total estimated listing expenses are approximately HK\$117.5 million based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised (or approximately HK\$36.8 million after excluding underwriting commissions of approximately HK\$80.7 million), of which HK\$11.0 million was charged to our consolidated statements of profit or loss and other comprehensive income for the six months ended June 30, 2019. We estimate that the total listing expenses in the amount of HK\$28.5 million will be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending December 31, 2019. The balance of approximately HK\$89.0 million is expected to be capitalized.

FUTURE PLAN AND USE OF PROCEEDS

We estimate that the net proceeds from the Global Offering which we will receive, if the Over-allotment Option is not exercised, assuming an Offer Price of HK\$6.05 per Share (being the mid-point of the indicative Offer Price range), will be approximately HK\$1,910.6 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering. We intend to apply the net proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 72.0% of our total estimated net proceeds, or HK\$1,375.6 million, will be used to expand our restaurant network;
- approximately 7.0% of our total estimated net proceeds, or HK\$133.7 million, will be used to further strengthen the supply and support capabilities for our restaurants and enhance our centralized procurement system;
- approximately 11.0% of our total estimated net proceeds, or HK\$210.2 million, will be used to repay part of a syndicated loan facility of HK dollar equivalent of RMB180.0 million arranged by China Merchants Bank Co., Ltd. Hong Kong Branch and a loan facility of RMB9.9 million from China Merchants Bank Co., Ltd., Guangzhou Branch; and
- approximately 10.0% of our total estimated net proceeds, or HK\$191.1 million, will be used for our working capital and general corporate purposes.

DIVIDENDS

Under the Articles of Association, our Company in general meetings may declare dividends in any currency to be paid to our Shareholders, provided that no dividend shall exceed the amount recommended by our Directors. In addition, our Directors may from time to time pay to our Shareholders such interim dividends as appeared to our Directors to be justified by the profits of our Company. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium. We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws and regulations require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS.

SUMMARY

On September 24, 2019, the Board declared dividends of approximately RMB50.6 million to the Shareholders. Dividends of RMB9.0 million, RMB20.0 million, approximately RMB54.8 million, approximately RMB24.8 million (unaudited) and nil were declared by Guangzhou Jiumaojiu during the years ended December 31, 2016, 2017, and 2018 and the six months ended June 30, 2018 and 2019, respectively. All the dividends declared have been/will be settled before Listing. Dividends declared in the past are not indicative of our future dividend policy. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has the absolute discretion to recommend any dividend. We do not have any pre-determined dividend pay-out ratio.

HISTORICAL REGULATORY NON-COMPLIANCE AND AN INCIDENT RELATING TO A FORMER EMPLOYEE

We had certain non-compliance incidents relating to: (i) fire safety and (ii) social insurance and housing provident fund. See “Business — Licenses, Regulatory Approvals and Compliance.” There was also an incident in relation to a former employee and we have had taken rectification measures to enhance our internal control. See “Business — Incident Relating to a Former Employee.”

RECENT DEVELOPMENT

From July 1, 2019 to the Latest Practicable Date, 43 new restaurants were opened, including one Jiumaojiu restaurant, 30 Tai Er restaurants, two self-operated Double Eggs restaurants and ten franchised Double Eggs restaurants; 12 restaurants were closed, including seven Jiu Mao Jiu restaurants, one self-operated Double Eggs restaurants and four franchised Double Eggs restaurants. As of the Latest Practicable Date, the total number of our self-operated and franchised restaurants reached 328.

Based on our unaudited management accounts, both our revenue and operating profit increased for the four months ended October 31, 2019 compared with the same period in 2018. The growth in our revenue was attributable to the continuous expansion of our restaurant network from a total of 215 restaurants, including 207 self-operated restaurants and eight franchised Double Eggs restaurants, as of October 31, 2018 to a total of 318 restaurants, including 281 self-operated restaurants and 37 franchised Double Eggs restaurants, as of October 31, 2019. The increasing operating profit was primarily due to (i) the expansion of Tai Er from 52 restaurants as of October 31, 2018 to 114 restaurants as of October 31, 2019 which had the highest operating profit margin among all our brands and (ii) our measures to control purchase costs of some of our major food ingredients, such as bass and frozen pork, by (a) entering into framework agreements with certain suppliers to secure sufficient supplies at agreed prices or (b) stocking certain ingredients in advance at favorable prices.

We obtained a syndicated loan facility of RMB180.0 million which bears an interest rate of HIBOR plus 0.8% per annum. Dividends of approximately RMB50.6 million to the Shareholders declared on September 24, 2019 will be settled before Listing.

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, other than as set forth above, there has been no material adverse change in our financial and trading position or prospects since June 30, 2019, and there is no event since June 30, 2019 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of our Company (as amended from time to time), adopted on December 6, 2019, which will become effective upon Listing, a summary of which is set out in Appendix III
“Baoying Catering”	Guangzhou Baoying Catering Management Co., Ltd. (廣州寶盈餐飲管理有限公司), a company established in the PRC with limited liability on December 19, 2018 and an indirect non-wholly owned subsidiary of our Company, which is owned as to 100% by Ruizhao Investment
“Beijing He Xie Cheng Zhang”	Beijing He Xie Cheng Zhang Investment Center (Limited Partnership) (北京和諧成長投資中心(有限合夥)), a limited partnership established in the PRC on August 26, 2010 whose general partner is Beijing He Xie Tian Cheng Investment Management Center (Limited Partnership) (北京和諧天成投資管理中心(有限合夥)), and one of the shareholders of Guangzhou Jiumaojiu prior to the Reorganization and an affiliate of Shanghai Ling Yu
“Beijing Jiujiufa”	Beijing Jiujiufa Catering Management Co., Ltd. (北京九九發餐飲管理有限公司), a company established in the PRC with limited liability on January 2, 2019 and an indirect non-wholly owned subsidiary of our Company, which is owned as to 100% by Ruizhao Investment
“Beijing Jiumaojiu”	Beijing Jiumaojiu Restaurant Management Co., Ltd. (北京九毛九餐飲管理有限公司), a company established in the PRC with limited liability on May 17, 2012 and an indirect wholly-owned subsidiary of our Company
“Board” or “Board of Directors”	the board of directors of our Company
“business day” or “Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business

DEFINITIONS

“BVI”	the British Virgin Islands
“Cayman Companies Law” or “Companies Law”	the Companies Law (2018 Revision), as amended or supplemented or otherwise modified from time to time of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“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, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this prospectus only, Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Company”, “our Company”	Jiumaojiu International Holdings Limited (九毛九国际控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on February 1, 2019, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
“Cong Xin”	Guangzhou Cong Xin Catering Co., Ltd. (廣州從心餐飲有限公司), a company established in the PRC with limited liability on June 19, 2015 and an indirect non-wholly owned subsidiary of our Company, which is owned as to 80% by Pin Xin Yue Gu and 20% by Guangzhou Thousand-layer Waves Investment Center (Limited Partnership) (廣州千層的浪投資中心(有限合夥)), a limited partnership owned by our employees
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules, and unless the context otherwise requires, refers to, Mr. Guan and GYH BVI

DEFINITIONS

“Cooking Spicy Kebab”	our Cooking Spicy Kebab (慇) brand
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated December 6, 2019 and entered into by the Controlling Shareholders with and in favor of our Company (for ourselves and as trustee for our subsidiaries) in respect of, among other things, certain indemnities, details of which are set out in “Statutory and General Information — E. Other Information — 1. Estate Duty and Tax Indemnity” in Appendix IV
“Deed of Non-competition”	the deed of non-competition dated December 6, 2019 and entered into by the Controlling Shareholders with and in favor of our Company (for ourselves and as trustee for each of our subsidiaries), details of which are set out in “Relationship with Controlling Shareholders — Deed of Non-competition”
“Director(s)”	the director(s) of our Company
“Double Eggs”	our Double Eggs (2顆雞蛋煎餅) brand
“EIT”	enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》)
“Eskdale BVI”	Eskdale Green Limited, an exempted company incorporated in the BVI on August 30, 2018 with limited liability, which is wholly-owned by Shanghai Ling Yu
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“Fang Xing Wei Ai”	Shenzhen Fang Xing Wei Ai Catering Management Co., Ltd. (深圳市方興未艾餐飲管理有限公司), a company established in the PRC with limited liability on March 5, 2019 and wholly-owned by Ruizhao Investment (a non-wholly owned subsidiary of our Company), thus also an indirect non-wholly owned subsidiary of our Company
“Fire Safety Consultant”	Guangzhou Dongya Co., Ltd. (廣州市東亞有限公司)
“Foshan Maidian”	Foshan Maidian Food Co., Ltd. (佛山市麥點食品有限公司), a company established in the PRC with limited liability on August 23, 2016 and an indirect wholly-owned subsidiary of our Company
“Foshan Maixuan”	Foshan Maixuan Trading Co., Ltd. (佛山市麥旋商貿有限公司), a company established in the PRC with limited liability on March 11, 2019 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the industry consultant
“Frost & Sullivan Report”	the independent market research for the PRC catering service market prepared by Frost & Sullivan and commissioned by us
“FY BVI”	FY J Limited, an exempted company incorporated in the BVI on December 7, 2018 with limited liability, which is wholly-owned by Mr. Fu Yong, an ultimate shareholder of our Company
“GDF BVI”	GDF J Limited, an exempted company incorporated in the BVI on December 7, 2018 with limited liability, which is wholly-owned by Mr. Gao Defu, an ultimate shareholder of our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering
“ 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”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Guangzhou Double Eggs”	Guangzhou Double Eggs Catering Co., Ltd. (廣州兩顆雞蛋餐飲有限公司), a company established in the PRC with limited liability on July 19, 2016 and an indirect non-wholly owned subsidiary of our Company, which is owned as to 80% by Pin Xin Yue Gu and 20% by Guangzhou Jiuchenhui Business Consulting Center (Limited Partnership) (廣州玖晨慧商務諮詢中心(有限合夥)), a limited partnership owned by our employees
“Guangzhou Happy Mouth”	Guangzhou Happy Mouth Catering Management Co., Ltd. (廣州咧嘴餐飲管理有限公司), a company established in the PRC with limited liability on June 29, 2018 and an indirect wholly-owned subsidiary of our Company
“Guangzhou Maixuan”	Guangzhou Maixuan Investment Center (Limited Partnership) (廣州市麥旋投資中心(有限合夥)), a limited partnership established in the PRC on June 4, 2014, one of the shareholders of Guangzhou Jiumaojiu prior to the Reorganization which is owned as to 7.23% by Mr. Guan and the rest by our employees and former employees
“Guangzhou Jiumaojiu”	Guangzhou Jiumaojiu Catering Chain Co., Ltd. (廣州九毛九餐飲連鎖有限公司), a company established in the PRC with limited liability on August 30, 2005 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Guangzhou Uncle Chef”	Guangzhou Uncle Chef Catering Management Co., Ltd. (廣州那未大叔餐飲管理有限公司), a company established in the PRC with limited liability on July 3, 2018 and an indirect non-wholly owned subsidiary of our Company, which is owned as to 80% by Pin Xin Yue Gu and 20% by Guangzhou Weiwei Investment Centre (Limited Partnership) (廣州威威投資中心(有限合夥)), a limited partnership owned by our employees
“GYH BVI”	GYH J Limited, an exempted company incorporated in the BVI on December 7, 2018 with limited liability, which is wholly-owned by Mr. Guan, and a Controlling Shareholder of our Company
“Haikou Jiumaojiu”	Haikou Maidian Jiumaojiu Restaurant Management Co., Ltd. (海口麥點九毛九餐飲管理有限公司), a company established in the PRC with limited liability on October 24, 2012 and an indirect wholly-owned subsidiary of our Company
“Hainan Jiujiuhong”	Hainan Jiujiuhong Catering Management Co., Ltd. (海南九久宏餐飲管理有限公司), a company established in the PRC with limited liability on September 1, 2016 and an indirect non-wholly owned subsidiary of our Company, which is owned as to 100% by Ruizhao Investment
“HIBOR”	Hong Kong Interbank Offered Rate
“HK\$”, “Hong Kong dollars”, “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 33,340,000 Shares being initially offered by our Company for subscription pursuant to 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 Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Hong Kong Takeovers Code” or “Takeovers Code”	The Codes 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 listed in “Underwriting — Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the Hong Kong underwriting agreement dated December 27, 2019, relating to the Hong Kong Public Offering and entered into by, among others, the Joint Global Coordinators, the Hong Kong Underwriters, the Controlling Shareholders and our Company
“Hongyuantai Catering”	Guangzhou Hongyuantai Catering Management Co., Ltd. (廣州鴻源太餐飲管理有限公司), a company established in the PRC with limited liability on December 18, 2018 and an indirect non-wholly owned subsidiary of our Company, which is owned as to 100% by Ruizhao Investment
“HQ BVI”	HQ J Limited, an exempted company incorporated in the BVI on December 7, 2018 with limited liability, which is wholly owned by Ms. Huang Qin, an ultimate shareholder of our Company
“IFRS”	International Accounting Standards (“ IAS ”), International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board (“ IASB ”)
“independent third party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons or associates of our connected persons as defined under the Listing Rules
“International Offer Shares”	the 300,060,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, (subject to reallocation as described in “Structure of the Global Offering”)
“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S, as further described in “Structure of the Global Offering”
“International Underwriters”	the group of underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering

DEFINITIONS

“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Joint Global Coordinators, the International Underwriters and our Company on or about January 8, 2020
“Jinkai Catering”	Guangzhou Jinkai Catering Management Co., Ltd. (廣州金凱餐飲管理有限公司), a company established in the PRC with limited liability on November 7, 2018 and an indirect non-wholly owned subsidiary of our Company, which is owned as to 100% by Ruizhao Investment
“Jiu Mao Jiu”	our Jiu Mao Jiu (九毛九) brand
“Jiumaojiu HK”	JMJ Catering Holdings Limited (九毛九餐飲控股有限公司), a limited company incorporated under the laws of Hong Kong on March 19, 2019 and an indirect wholly-owned subsidiary of our Company
“JMJ Enterprises”	JMJ Enterprises Limited, a limited company incorporated under the laws of the BVI on February 21, 2019 and a wholly-owned subsidiary of our Company
“JMJ Holdings”	Jiumaojiu (Guangzhou) Holdings Limited (九毛九(廣州)控股有限公司), a limited company established under the laws of the PRC on May 27, 2019 and an indirect wholly-owned subsidiary of our Company
“Joint Bookrunners”, “Joint Global Coordinators” or “Joint Lead Managers”	CMB International Capital Limited and China International Capital Corporation Hong Kong Securities Limited
“Latest Practicable Date”	December 22, 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Lhasa Qiaozhanggui”	Lhasa Economic and Technological Development Zone Qiaozhanggui Enterprise Management Co., Ltd. (拉薩經濟技術開發區蕎掌貴企業管理有限公司), a company established in the PRC with limited liability on May 22, 2013 and one of the shareholders of Guangzhou Jiumaojiu prior to the Reorganization. It is owned as to 99.50% by Mr. Guan and 0.50% by Luo Xiaojun, a former employee of our Company
“Lhasa Maituan”	Lhasa Economic and Technological Development Zone Maituan Investment Consulting Co., Ltd. (拉薩經濟技術開發區麥團投資諮詢有限公司), a company established in the PRC with limited liability on May 7, 2013, which was one of the shareholders of Guangzhou Jiumaojiu prior to the Reorganization and an independent third party, wholly-owned by our employees or former employees

DEFINITIONS

“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about January 15, 2020, on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Machang Restaurant”	Guangzhou Tianhe District Zhujiang Jiumaojiu Shanxi Noodles Restaurant (廣州市天河珠江城玖毛玖山西老麵館), an individual business entity established in the PRC which is owned by Mr. Guan
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company (as amended from time to time), adopted on December 6, 2019, which will become effective upon Listing, a summary of which is set out in Appendix III
“Mi Liang Ren Liang”	Guangzhou Mi Liang Ren Liang Catering Management Co., Ltd. (廣州米良人良餐飲管理有限公司), a company established in the PRC with limited liability on May 11, 2018 and an indirect wholly-owned subsidiary of our Company
“Mr. Guan”	Mr. Guan Yihong (管毅宏), the founder of our Group, chairman of the Board, an executive Director and our Controlling Shareholder
“MT BVI”	MT J Limited, an exempted company incorporated in the BVI on December 7, 2018 with limited liability and our Shareholder, which is wholly-owned by 27 individuals, who are our employees or former employees
“MX BVI”	MX J Limited, an exempted company incorporated in the BVI on December 7, 2018 with limited liability and our Shareholder, which is wholly-owned by 33 individuals, who are our employees, former employees and one independent third party external investor
“Nanjing Jiumaojiu”	Nanjing Jiumaojiu Restaurant Management Co., Ltd. (南京九毛九餐飲管理有限公司), a company established in the PRC with limited liability on December 22, 2014 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted to the International Underwriters pursuant to the International Underwriting Agreement, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 50,010,000 Offer Shares, representing in aggregate 15% of the initial size of the Global Offering at the Offer Price to cover over-allocations in the International Offering, if any, as further described in the section headed “Structure of the Global Offering” in this prospectus
“Pin Xin Yue Gu”	Guangzhou Pin Xin Yue Gu Enterprise Management Co., Ltd. (廣州品芯悅谷企業管理有限公司), a company established in the PRC with limited liability on June 23, 2016 and an indirect wholly-owned subsidiary of our Company
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC laws and regulations”	any and all laws, regulations, statutes, rules, orders, decrees, notices, and supreme court’s judicial interpretations and other legislation currently in force and publicly available in the PRC as of the date hereof
“PRC Legal Advisor”	Zhong Lun Law Firm
“Pre-IPO Investors”	the Series A Preferred Share Holders and GDF BVI
“Price Determination Date”	the date, expected to be on or about January 8, 2020, on which the Offer Price will be determined and, in any event, not later than January 13, 2020
“Principal Share Registrar and Transfer Office”	Walkers Corporate Limited

DEFINITIONS

“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Receiving Bank”	CMB Wing Lung Bank Limited
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the reorganization of the Group in preparation of the Listing, details of which are set out in “History, Reorganization and Corporate Structure”
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Ruizhao Investment”	Guangzhou Ruizhao Investment Co., Ltd. (廣州瑞兆投資有限公司), a company established in the PRC with limited liability on September 19, 2018, and formerly known as Guangzhou Jiumaojiu Investment Co., Ltd. (廣州九毛九投資有限公司) and an indirect non-wholly owned subsidiary of our Company, which is owned as to 85% by Guangzhou Jiumaojiu and 15% by Guangzhou Zhaorui Investment Centre (Limited Partnership) (廣州兆瑞投資中心(有限合夥)), a limited partnership which is owned by our employees and a former employee
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), now known as State Administration for Market Regulation (國家市場監督管理總局)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Series A Preferred Share(s)”	the Company’s series A redeemable convertible preferred shares, par value US\$1.00 per share
“Series A Preferred Share Holders”	Eskdale BVI, YSY BVI, FY BVI and HQ BVI
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanghai Er You”	Shanghai Er You Catering Management Co., Ltd. (上海二有餐飲管理有限公司), a company established in the PRC with limited liability on September 30, 2017 and an indirect subsidiary of our Company

DEFINITIONS

“Shanghai Ling Yu”	Shang Hai Ling Yu Enterprise Management Consulting Partnership (Limited Partnership) (上海領語企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on November 15, 2018 and whose general partner is Beijing He Xie Tian Cheng Investment Management Center (Limited Partnership) (北京和諧天成投資管理中心(有限合夥)), details of which are set out in “History, Reorganization and Corporate Structure — Pre-IPO Investments — Information Regarding the Pre-IPO Investors”
“Shanghai Stock Exchange”	Shanghai Stock Exchange (上海證券交易所)
“Shareholder(s)”	holder(s) of Shares
“Share Option Scheme”	our share option scheme conditionally adopted pursuant to the written resolutions passed by our Shareholders on December 6, 2019, the principal terms of which are set out in “Statutory and General Information — D. Share Incentive Schemes — Share Option Scheme” in Appendix IV
“Share(s)”	shares in the capital of our Company with nominal value of US\$0.0000001 each
“Shenzhen Jiumaojiu”	Shenzhen Maidian Jiumaojiu Restaurant Management Co., Ltd. (深圳市麥點九毛九餐飲管理有限公司), a company established in the PRC with limited liability on October 22, 2012 and an indirect wholly-owned subsidiary of our Company
“Sole Sponsor”	CMB International Capital Limited
“Stabilizing Manager”	CMB International Securities Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilizing Manager or its affiliates and GYH BVI on or around the Price Determination Date as further described in the section headed “Structure of the Global Offering — The Over-allotment Option” in this prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tai Er”	our Tai Er (太二) brand
“Tai Er Catering”	Guangzhou Tai Er Catering Chain Co., Ltd. (廣州太二餐飲連鎖有限公司), a company established in the PRC with limited liability on January 25, 2016 and an indirect non-wholly owned subsidiary of our Company, which is owned as to 85% by Pin Xin Yue Gu and 15% by Guangzhou Er Nan Er Nv Business Center (Limited Partnership) (廣州市二男二女商務中心(有限合夥)), a limited partnership owned by our employees

DEFINITIONS

“Tai Er HK”	Too Two Hong Kong Restaurant Limited (香港太二餐飲有限公司), a company incorporated in Hong Kong with limited liability on April 24, 2018 and an indirect subsidiary of our Company
“Tai Er Trading”	Guangzhou Tai Er Trading Co., Ltd. (廣州太二商貿有限公司), a company established in the PRC with limited liability on April 28, 2015 and an indirect wholly-owned subsidiary of our Company
“Tianjin Jiumaojiu”	Tianjin Maidian Jiumaojiu Restaurant Management Co., Ltd. (天津市麥點九毛九餐飲管理有限公司), a company established in the PRC with limited liability on June 17, 2013 and an indirect wholly-owned subsidiary of our Company
“Too Two Catering Inc.”	a company incorporated in the State of California, USA with limited liability on June 18, 2019 and an indirect subsidiary of our Company
“Track Record Period”	the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“Uncle Chef”	our Uncle Chef (那未大叔是大廚) brand
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States
“WeChat”	a communications and social platform developed by Tencent Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700) and/or its subsidiaries, as the case may be
“WeChat Official Account(s)”	a type of WeChat account providing WeChat users with information and services through messaging and web pages
“ WHITE Application Form(s)”	the application form(s) for use by the public who require such Hong Kong Public Offer Shares to be issued in the applicant’s own name(s)

DEFINITIONS

“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Wuhan Jiumaojiu”	Wuhan Maidian Jiumaojiu Restaurant Management Co., Ltd. (武漢市麥點九毛九餐飲管理有限公司), a company established in the PRC with limited liability on March 12, 2014 and an indirect wholly-owned subsidiary of our Company
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require such Hong Kong Public Offer Shares to be deposited directly into CCASS
“YSY BVI”	YSY J Limited, an exempted company incorporated in the BVI on December 7, 2018 with limited liability, which is wholly owned by Ms. Ye Shangying, an ultimate shareholder of the Company
“Zhongxin Catering”	Guangzhou Zhongxin Catering Management Co., Ltd. (廣州眾信餐飲管理有限公司), a company established in the PRC with limited liability on December 17, 2018 and an indirect non-wholly owned subsidiary of our Company, which is owned as to 100% by Ruizhao Investment
“%”	per cent.

In this prospectus, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “continuing connected transaction”, “core connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“CAGR”	compound annual growth rate
“cash investment payback period”	the amount of time it takes for the cumulative net profit plus depreciation (excluding depreciation of right-of-use assets) and amortization to cover the costs to open a restaurant
“Central and Eastern China”	for the purpose of this prospectus, a geographic region of China that includes the provinces of Anhui, Fujian, Henan, Hubei, Hunan, Jiangsu, Jiangxi, Shandong and Zhejiang, and the municipality of Shanghai
“GFA”	gross floor area
“GMO”	genetically modified organism
“Initial Breakeven Period”	the first month for the revenue of a newly opened restaurant to at least equal its expenses
“ISO 14001”, “ISO 22000” and “ISO 9001”	international standards that specify requirements for environmental management, food safety management and quality management
“new tier 1 cities” or “new tier one cities”	for the purpose of this prospectus, Changsha, Chengdu, Chongqing, Dongguan, Hangzhou, Kunming, Nanjing, Ningbo, Qingdao, Shenyang, Suzhou, Tianjin, Wuhan, Xi’an and Zhengzhou
“Northern China”	for the purpose of this prospectus, a geographic region of China that includes the municipalities of Beijing and Tianjin, the provinces of Hebei and Shanxi, and the central Inner Mongolia Autonomous Region
“OHSAS 18001”	an internationally applied British standard for occupational health and safety management system
“QR code”	a machine-readable optical label that contains information about the item to which it is attached
“Southern China”	for the purpose of this prospectus, a geographic region of China that includes the provinces of Guangdong and Hainan, and the Guangxi Zhuang Autonomous Region
“tier 1 cities” or “tier one cities”	for the purpose of this prospectus, Beijing, Shanghai, Guangzhou and Shenzhen

GLOSSARY OF TECHNICAL TERMS

“tier 2 cities” or “tier two cities”	for the purpose of this prospectus, Changchun, Changzhou, Dalian, Foshan, Fuzhou, Guiyang, Haikou, Harbin, Hefei, Huizhou, Jiaxing, Jinan, Jinhua, Lanzhou, Nanchang, Nanning, Nantong, Quanzhou, Shaoxing, Shijiazhuang, Taiyuan, Taizhou, Wenzhou, Wuxi, Xiamen, Xuzhou, Yangzhou, Yantai, Zhongshan and Zhuhai
“tier 3 cities and below” or “tier three cities and below”	for the purpose of this prospectus, all the cities and regions of China excluding tier one cities, new tier one cities and tier two cities
“Western China”	for the purpose of this prospectus, a geographic region of China that includes the municipality of Chongqing, the provinces of Sichuan, Guizhou, Yunnan, Shaanxi, Gansu and Qinghai, and the autonomous regions of Tibet, Ningxia and Xinjiang

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Group that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to control or reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in “Business” and “Financial Information” with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

RISK FACTORS

Investing in our Shares involves risks. Before deciding to invest in the Shares, you should carefully consider all of the information in this prospectus, including the following risk factors, in light of the circumstances and your own investment objectives. The occurrence of any of the following events could materially adversely affect our business, financial condition and results of operations, in which case the trading price of our Shares could also decline, and you could lose part or all of your investment. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that may differ significantly from that of other countries.

There are certain risks and uncertainties involved in our operations, many of which are beyond our control. These risks and uncertainties can be characterized as: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to doing business in China; and (iv) risks relating to the Global Offering and our Shares. Additional risks and uncertainties that are presently not known to us, or not expressed or implied below, or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

RISKS RELATING TO OUR BUSINESS

Our future growth depends on our ability to open and profitably operate new restaurants. We may not be able to successfully enter into new markets.

Our future growth depends on our ability to open and profitably operate new restaurants. In 2016, 2017, 2018 and the first half of 2019, we opened 12, 41, 61 and 44 new self-operated restaurants under our five distinctive brands, respectively. We may not be able to open new restaurants at the same rate as in the past or as quickly as planned. Delays or failures in opening new restaurants could materially and adversely affect our growth strategy and our expected financial and operating results. In obtaining new restaurant sites, we may face intense competition from our competitors in the catering service industry. We may also encounter delays when applying for relevant material licenses during the approval process from the government authorities, for which the timeline is beyond our control. Even if we are able to open additional restaurants as planned, these new restaurants may neither be profitable nor have results comparable to our existing restaurants for a period of time. This growth strategy and the substantial efforts associated with the development of each additional restaurant may cause our operating results and profits to fluctuate.

We may also open new restaurants in markets where we have little or no operating experience. Those new markets may have different competitive conditions, consumer tastes and discretionary spending patterns from our existing markets. As a result, we may not be able to open new restaurants in these markets on a timely basis or at all. If the new restaurants do open, they may be less profitable compared with restaurants in our existing markets. Consumers in a new market may not be familiar with our brand and we may need to build brand awareness in that market through advertising and promotional activities, which could result in higher expenses than originally planned. We may find it more difficult in new markets to hire, motivate and retain qualified employees who share our business philosophy and culture. Opening restaurants in new markets may record lower average sales, lower average spending per customer, higher construction costs, higher occupancy costs or higher

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operating costs than restaurants in existing markets. And we may take longer to set up similar logistics chains with suitable quality control in such new markets. Sales at restaurants opened in new markets may take longer than expected to ramp up and reach, or may never reach, expected sales and profit levels, thereby affecting our overall profitability. There can be no assurance that we will be able to maintain our profitability as we continue to expand into new markets.

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

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

In addition, if we open new restaurants in our existing geographic markets, the sales performance and customer traffic of our existing restaurants near such new restaurants may decline as a result of increased competition. This may in turn adversely affect our business, financial condition and results of operations of our existing restaurants.

If we cannot obtain desirable restaurant locations or secure renewal of existing leases on commercially reasonable terms, our business, results of operations and ability to implement our growth strategy will be materially and adversely affected.

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

Where we do not have a provision providing an option to renew a lease agreement, we may need to negotiate the terms of renewal with the lessor, who may insist on a significant modification to the terms and conditions of the lease agreement. If a lease agreement is renewed at a rate substantially higher than the existing rate or other existing favorable terms granted by the lessor, if any, are not extended, we must evaluate whether renewal on such modified terms is in our business interest. If we are unable to renew leases for our restaurant sites, we will have to close or relocate the relevant restaurant, which would eliminate the sales that the restaurant would have contributed to our revenue during the period of closure, and could subject us to construction, renovation and other costs and risks. In addition, the revenue and any profit generated at a relocated restaurant may be less than the revenue and profit previously generated before such relocation. Therefore, any inability to obtain leases for desirable restaurant locations or renew existing leases on commercially sound terms could have a material adverse effect on our business, financial condition and results of operations.

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Our current restaurant locations may become unattractive, which may have a material adverse effect on our business, financial condition and results of operations.

The success of any restaurant depends substantially on its location. There can be no assurance that our current restaurant locations will continue to be attractive as economic or demographic conditions change. The economic and demographic conditions of our restaurant locations could become unfavorable to us in the future, thus resulting in potentially reduced sales in restaurants in these locations. As substantially all of our lease agreements have fixed lease terms, these lease agreements expose us to the risk of having to make rental payments for fixed periods of time in spite of unprofitable business operations or other unforeseen events that may occur before each lease term expires. Therefore, the inability and/or the lack of flexibility to terminate these leases early could have a material adverse effect on our business, financial condition and results of operation.

If we are unable to manage our growth effectively, our business and financial results may be materially and adversely affected.

We have experienced rapid growth during the Track Record Period. We have increased the number of our self-operated restaurants in China from 142 as of January 1, 2016 to 262 as of June 30, 2019. We plan to continue to expand our restaurant network in different geographic locations in China and overseas. This further expansion may place substantial demands on our management, and our operational, technological, labor and other resources. Our planned expansion will also place significant demands on us to maintain consistent food and service quality and preserve our corporate culture to ensure that our brands do not suffer as a result of any deterioration, whether actual or perceived, in the quality of our food or services.

Our continued success also depends on our ability to recruit, train and retain additional qualified management, administrative, sales and marketing personnel, particularly as we expand into new markets. We also need to continue to manage our relationships with our suppliers and customers. All of these endeavors will require substantial management attention and efforts, and require significant additional expenditures. We cannot assure you that we will be able to manage any future growth effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities. This in turn may have a material adverse effect on our business, financial condition and results of operations.

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

Historically, substantially all of our revenue has been generated from Jiu Mao Jiu and Tai Er. In 2017, we developed Double Eggs. We also started to operate restaurants under other brands such as Uncle Chef and Cooking Spicy Kebab in 2019, which we believe have strong potential for growth. However, any new brand that we launched and may launch may not achieve anticipated sales targets. During the Track Record Period, we opened six restaurants under the Bravo Sirloin (不怕虎牛腩) brand, one restaurant under the Coconut House (椰語堂) brand and four restaurants under the Happy Mouth (咧嘴) brand. Due to under-performance and after consideration of the future growth potential, we subsequently (i) closed four Bravo Sirloin restaurants and transferred our interests in the remaining two Bravo Sirloin restaurants to the minority shareholder with no consideration, (ii) closed the Coconut House restaurant and (iii) closed three Happy Mouth restaurants and transferred our interests in the remaining restaurant to the minority shareholder at a consideration of RMB100,000. To support our

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expansion plans, we will need to recruit more staff with expertise in managing different brands and services, and further enhance our operational and financial systems, procedures and controls. Moreover, we will need to devote significant financial and managerial resources to the research and development of new brands. We will also need to engage suitable suppliers to support such new brands and develop new marketing strategies to promote these new brands. All of these endeavors involve substantial risks and require skillful execution and significant expenditure. We cannot assure you that our new brands will gain market acceptance. In addition, we cannot guarantee that any new brand that we may launch will be able to generate positive cash flows.

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

Since we have successfully built up Jiu Mao Jiu and Tai Er, we launched other brands during the Track Record Period. We believe that maintaining and enhancing our brands is important to maintaining our competitive advantage. However, our ability to maintain our brand recognition depends on a number of factors, some of which are beyond our control. Our continued success in maintaining and enhancing our brands and image depends to a large extent on our ability to further develop and maintain our distinctive combination of delicious menu offerings, affordable prices, hospitable services, pleasant dining environments throughout our restaurant network and our ability to respond to any change in the competitive environment in the catering service industry. If we are unable to do so, the value of our brands or image will be diminished and our business and results of operations may be materially and adversely affected. As we continue to grow in size, expand our food offerings and services and extend our geographic reach, maintaining quality and consistency may be more difficult and we cannot assure you that customers' confidence in our brand name will not be diminished.

Our business is affected by changes in consumer taste and discretionary spending, and we may not be able to develop new products in a timely manner to respond to such changes.

The catering service industry is affected by consumer taste and preference. We cannot assure you that we can continue to maintain our menu to develop new products and maintain an attractive menu to suit changing customer demands.

To a significant extent, our success also depends on discretionary customer spending, which is influenced by general economic conditions. Accordingly, we may experience declines in sales during economic downturns or prolonged periods of high unemployment rates. Any material decline in the amount of discretionary spending in China may have a material adverse effect on our business, results of operations and financial condition.

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

We may be unable to prevent, detect or deter all instances of misconduct committed by our employees, customers or other third parties. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject

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us to financial losses and/or harm our reputation. This type of misconduct may also have a material adverse effect on our business, results of operations and financial condition. In 2016, 2017 and 2018, we incurred inventory losses of RMB3,066,000, RMB9,889,000 and RMB22,149,000, respectively, due to an incident relating to a former employee. See “Business — Incident Relating to a Former Employee.”

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

Our historical results and growth may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our Shares to decline. Our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control. These factors can include general economic conditions, special events, government regulations and policies affecting our restaurant operations and/or our ability to control costs and operating expenses. Our staff costs may fluctuate from month to month as we are required by law to pay our staff a higher rate for work on public holidays. In addition, we expect to recognize some of our expenses related to the Listing towards the end of 2019, which will impact our profit for the year. You should not rely on our historical results to predict our future financial performance.

Our results of operations may fluctuate significantly due to several factors that are beyond our control.

Our overall results of operations may fluctuate significantly from period to period because of several factors, including: the timing of new restaurant openings and the amounts of associated pre-opening costs and expenses; operating costs for our newly opened restaurants, which are often substantially greater during the first few months of operations; revenue loss and renovation expenses associated with the temporary closure of existing restaurants for refurbishment; impairment of non-current assets, including goodwill and any losses incurred on restaurant closures; and fluctuations in food and commodity prices. In addition, our business and operating results are subject to seasonal fluctuations because of several factors including holidays, school vacations, and fluctuations in food prices. As a result, our results of operations may fluctuate significantly from period to period and comparisons of different periods may not be meaningful. Our results for a given period in a fiscal year are not necessarily indicative of results to be expected for any other period in the same fiscal year.

We generate a majority of our revenue from Guangdong in China. Any event negatively affecting the catering service industry in this market could have a material adverse effect on our overall business and results of operations.

We generated 75.1%, 74.7%, 73.4%, 74.9%, and 68.0% of our revenue in 2016, 2017, 2018 and the first half of 2018 and 2019, respectively, from our restaurants in Guangdong in China. We expect the revenue from this market to continue to account for a substantial portion of our revenue in the near future. If Guangdong experiences an event negatively affecting its catering service industry, such as a local economic downturn, a natural disaster, a contagious disease outbreak, a terrorist attack, or a new regulation adopted by the local

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authorities that could place additional restrictions or burdens on us or on our industry in general, our business, financial condition and results of operations may be materially and adversely affected.

Our restaurants are susceptible to risks in relation to rental increases and fluctuations and unexpected land acquisitions, building closures or demolitions.

As we lease the property for all of our restaurants and central kitchens, we have significant exposure to the retail rental market in China. In 2016, 2017, 2018 and the first half of 2018 and 2019, our depreciation of right-of-use assets and other rentals and related expenses amounted to approximately RMB116.0 million, RMB137.8 million, RMB184.0 million, RMB86.5 million and RMB126.0 million, respectively, representing 10.0%, 9.4%, 9.7%, 9.9% and 10.2% of our total revenue. Since our depreciation of right-of-use assets and other rentals and related expenses represent a significant portion of our total operating expenses, our profitability may be adversely affected by any substantial increase in such expenses of our restaurant premises and central kitchens.

In addition, the PRC government has the statutory power to acquire any land in the PRC. In the event of any compulsory acquisition, closure or demolition of any of the properties in which our restaurants or facilities are situated for redevelopment, the amount of compensation to be awarded to us may not be based on the fair market value but may be assessed on the basis prescribed in the relevant legislation. In such event, we will be forced to relocate to other locations, thus affecting our business, financial condition and results of operations.

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

If our suppliers do not deliver food ingredients and other supplies in a timely manner, we may experience supply shortages and increased food costs. The ability to source high-quality food ingredients at competitive prices in a timely manner is crucial to our business. Our ability to maintain consistent quality and maintain our menu offerings throughout our restaurants depends in part upon our ability to acquire raw materials, food ingredients and related supplies in sufficient quantities from reliable sources that meet our food safety and quality specifications. While we enter into framework agreements with certain suppliers, the purchase prices with suppliers for our food ingredients and raw materials are typically set at a fixed price by way of purchase orders. In 2016, 2017, 2018 and the first half of 2019, the total purchases from our five largest suppliers in aggregate accounted for 15.0%, 24.7%, 22.8%, and 25.7%, respectively, and our purchases from our largest supplier accounted for 3.3%, 6.0%, 7.3%, and 10.8%, respectively, of our total purchases. During the Track Record Period, none of our key suppliers ceased or indicated that it would cease supply of food ingredients to us. Also, we did not experience any material delays or interruptions in securing the supply of food ingredients from our key suppliers. However, there can be no assurance that we will be able to maintain business relationships with our key suppliers.

A disruption of our food supplies can occur for a variety of reasons, many of which are beyond our control, including adverse weather conditions, international trade disputes, import/export restrictions, natural disasters, diseases, important suppliers ceasing operations or unexpected production shortages. Moreover, there can be no assurance that our current suppliers may always be able to meet our stringent quality control requirements in the future.

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If any of our suppliers does not perform quality control adequately or otherwise fail to distribute supplies to us in a timely manner, we cannot assure you that we will be able to find suitable alternative suppliers in a short period of time on acceptable terms. As a result, our failure to do so could increase our food ingredients costs and cause shortages of food ingredients and other supplies at our restaurants. Any significant food shortages or supply disruptions will lead to the unavailability of some menu items and a significant reduction in revenue as customers seek out alternative dining options.

Increases in the cost of ingredients used in our restaurants may lead to declines in our margins and operating results.

Any rise in our costs, particularly a rise in the cost of the ingredients, may lead to declines in our margins and operating results. Our cost of raw materials and consumables used depends on a variety of factors, many of which are beyond our control. Our cost of raw materials and consumables used represented approximately 33.0%, 34.9%, 35.5%, 33.8% and 35.2% of our revenue in 2016, 2017, 2018 and the first half of 2018 and 2019, respectively. Fluctuations in weather, supply and demand, and economic conditions could adversely affect the cost, availability, and quality of our critical food ingredients. If we are not able to obtain requisite quantities of quality ingredients at commercially reasonable prices, we may not be able to serve our core dishes. Furthermore, if we cannot pass these cost increases onto our customers, our operating margins may decrease.

In addition, the Chinese government has promulgated price intervention regulations under which temporary measures may be taken to control price increases or decreases of certain material commodities which include a number of ingredients that are important to our business. Such price control measures will have direct effects on the cost of relevant ingredients. The measures that prevent the prices of ingredients from falling will keep our cost of relevant ingredients at a higher level than it would be under free market conditions. Although generally we may benefit from the measures that control price increases which keep our ingredient costs from rising, there is no guarantee for how long and to what extent such measures may be implemented, or whether such measures will effectively control price increases in the long run. For example, there is a possibility that price control measures may frustrate the relevant suppliers and discourage supply, which may materially and adversely affect our business.

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

Historically, staff costs which comprise salaries and benefits payable to all our employees and staff, including our Directors, senior management, headquarters personnel and restaurant level staff, have been a major component of our operating costs. In 2016, 2017, 2018 and the first half of 2018 and 2019, staff costs accounted for approximately 28.1%, 27.2%, 27.7%, 27.4% and 25.9% of our revenue, respectively. Currently, most of our staff is employed in China, and thus we take advantage of the availability of relatively low-cost labor in China. The economy in China has grown significantly over the past 20 years, which has resulted in an increased average cost of labor. The overall economy and the average wage in China are expected to continue growing.

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

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

The quality and safety of the food we serve is critical to our success. Maintaining consistent food quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our quality control systems and our ability to ensure that our employees and franchisees adhere to and implement those quality control policies and guidelines. Our quality control systems consist of (i) supplier quality control, (ii) logistics quality control, (iii) central kitchens quality control, and (iv) restaurant quality control. For more details on our quality control systems, see "Business — Food Safety and Quality Control." There can be no assurance that our quality control systems will prove to be effective. Any significant failure or deterioration of our quality control systems could have a material adverse effect on our reputation, results of operations and financial condition.

Any failure or perceived failure to deal with customer complaints or adverse publicity involving our food or services could materially and adversely impact our business and results of operations.

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

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

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

Our customers may submit or file complaints or claims against us or our franchisees regarding our food products and services, including the food prepared and served in our restaurants.

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

We face certain risks associated with the use of franchise business model.

The success of Double Eggs will partly depend on the financial success of and cooperation with our franchisees. Since we may develop other brands using franchise business model in the future, the success of these brands will also be tied to the operating performance of our franchisees. Our franchise business models subject us to a number of risks, each of which may impact our ability to collect royalty fees from our franchisees, may harm the goodwill associated with our brands, and may adversely impact our business and results of operations.

- *Control over franchisees.* Our franchisees typically manage their businesses independently, and are responsible for the day-to-day operation of their restaurants. As a result, the ultimate success and quality of a franchised restaurant rests with the franchisees. We cannot fully control their action and our contractual rights and remedies are limited, and may be costly to exercise or subject to litigation. If our franchisees do not perform their obligations pursuant to their franchise agreements with us, including but not limited to obtaining the relevant operating permits or complying with the applicable laws and regulations, or if our franchisees do not successfully operate restaurants in a manner consistent with our required standards, or project an image inconsistent with our brands and values, our brands' image and reputation could be harmed, which in turn could hurt our business and operating results. The success of our Double Eggs will also depend on the willingness and ability of our franchisees to implement major initiatives, which may include financial investment, and to remain aligned with us on operating,

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promotional and reinvestment plans, which may be capital-intensive and may only be beneficial in the long term. There is no guarantee that our franchisees will share our vision, and they may refuse to take actions that are only beneficial in the long term.

- *Revenues realized from franchised restaurants.* The revenues we realize from Double Eggs are partly dependent on the ability of our franchisees to grow their sales. If our franchisees do not experience sales growth, our revenue and margins could be negatively affected as a result. Also, if sales trends worsen for our franchisees, their financial results may deteriorate, which could result in, among other things, restaurant closures or delayed or reduced payments to us.
- *Bankruptcy.* A franchisee's bankruptcy could have a substantial negative impact on our ability to collect payments due under the franchise arrangements, and may have a negative impact on our brand image.
- *Litigation.* Our franchisees are subject to a variety of litigation risks, including, but not limited to, customer claims, personal-injury claims, environmental claims, employee allegations of improper termination. Although we are not directly liable for the costs involved in these types of litigations, each of these claims may increase the costs of our franchisees and adversely affect their profitability, and may therefore limit the funds available for them to pay royalty fees, to renovate and develop the restaurants they operate, or limit their ability to renew their arrangements with us, which in turn could adversely affect our business and operating results and may have negative impact on our brand image.

We face risks relating to our investments.

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

We may be unable to receive compensation from suppliers for contaminated ingredients used in our dishes and indemnity provisions in our supply contracts may be insufficient.

In the event that we become subject to food safety claims caused by contaminated or defective ingredients/raw materials from our suppliers, we can attempt to seek compensation from the relevant suppliers. However, indemnities provided by suppliers may be limited and the claims against suppliers may be subject to certain conditions precedent which may not be satisfied. Further, our supply contracts usually do not have provisions to cover lost profits and indirect or consequential losses. If no claim can be asserted against a supplier, or amounts that we claim cannot be recovered from the supplier to the extent that our insurance coverage

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is insufficient, we may be required to bear such losses and compensation at our own costs. This could have a material adverse effect on our business, financial condition and results of operations.

Events that disrupt the operations of any of our restaurants or our central kitchens, such as fires, floods, earthquakes 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 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 food ingredients and raw materials. Certain events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays and labor strikes, could also lead to delayed or lost deliveries of food supplies to our processing plants, logistics facilities and our restaurants. All of which may result in the loss of potential business, and thus sales revenue. Perishable food ingredients, such as fresh, chilled or frozen food ingredients, may deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our suppliers or our logistics partners. In addition, fires, floods, earthquakes and terrorist attacks may lead to evacuations and other disruptions in our operations, which may also prevent us from providing quality food and service to customers, thereby affecting our business and damaging our reputation. Any such event could materially and adversely affect our business operations and results of operations.

Information technology system failures or breaches of our network security could interrupt our operations and adversely affect our business.

We rely on our computer systems and network infrastructure across our operations to monitor the daily operations of our restaurants and to collect accurate up-to-date financial and operating data for business analysis and decision making such as the procurement of supplies. Any damage or failure of our computer systems or network infrastructure that causes an interruption or inaccuracies in our operations could have a material adverse effect on our business and results of operations.

We also receive certain personal information about our customers when accepting credit cards or smart cards for payment. If our network security is compromised, and such information is stolen or obtained by unauthorized persons or used inappropriately, we may become subject to litigation or other proceedings brought by cardholders and financial institutions that issue cards. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our brand could also be negatively affected by these events, which could further adversely affect our business and results of operations.

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

As of the date of this prospectus, we have obtained insurance policies that we believe are customary for businesses of our size and type and in line with the standard commercial practice in China. For more details on our insurance policies, see “Business — Insurance.” However, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, such as loss of reputation. If we were held

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liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business and results of operations may be materially and adversely affected.

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

We believe that our brands are 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. As of the Latest Practicable Date, we have 74 pending trademark applications in China and other jurisdictions. Although we are not aware of any legal impediment in completing the registrations, 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. See “Statutory and General Information” in Appendix IV. In addition, third parties may infringe upon our intellectual property rights or misappropriate our proprietary knowledge, which could have a material adverse effect on our business, financial condition or operating results. While our proprietary recipes are protected by confidentiality agreements between us and our employees or certain suppliers, there can be no assurance that they will not breach such agreements or leak the recipe to our competitors. The PRC laws and regulations may not offer the same protection for intellectual property rights as jurisdictions with more developed intellectual property laws. In addition, although we can rely on confidentiality and non-compete agreements with key personnel and other precautionary procedures to protect our proprietary recipes, such measures may not be sufficient.

In the past, we have found that certain third parties used or imitated our trademarks or trade names without our authorization to operate restaurants in cities where we do not have a presence. Such unauthorized use of our trademarks, trade names and trade secrets by unrelated third parties may damage our reputation and brands. If the operations of third parties who used or imitated our trademarks or trade names without our authorization result in adverse side effects on consumers, we may be associated with negative publicity as a result. Preventing trademark and trade name infringement and trade secret misappropriation in China is difficult, costly and time-consuming. We initiated three legal proceedings against certain third parties in the past, which are still ongoing and are all expected to conclude in the first half of 2020. The total amount involved in these three legal proceedings are approximately RMB2.2 million. In the future, we may, from time to time, be required to institute litigation to protect and enforce our trademarks and other intellectual property rights, and to protect our trade secrets. Such litigation could result in substantial costs and diversion of resources, which could negatively affect our sales, profitability and prospects. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving, and could involve substantial risks to us. Even if any such litigation is resolved 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 trade secrets. Defending against such claims may be costly and, if we are unsuccessful, we may be prohibited from continuing to

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use such proprietary information in the future or be forced to pay damages, royalties or other fees for using such proprietary information, any of which could negatively affect our sales, profitability and prospects.

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

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

We also adopt a brand-specific management strategy for the purpose of granting flexibility and incentives to the brand manager and competent team members under each brand for their committed services to our business. Typically, we select and appoint the brand managers from the senior management team of the Group, and confer to the brand managers and their respective team the opportunities to invest in and own certain percentage of equity interests of the brand that they manage. Therefore, our business operations are associated with the performance of our brand managers and their respective team. In addition, we may continue to select other brand managers and competent team members in the future. As a result, any further implement of our brand-specific management and incentive strategy will increase the minority equity interest attributed to our brand teams. For more details, see “Business — Organizational Structure — Brand-specific Management.”

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

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

Our business could be adversely affected by difficulties in employee recruiting and retention.

Our continued success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees for our chain restaurant operations, including restaurant managers and kitchen assistants. We cannot assure you that we will be able to recruit or retain a sufficient number of qualified employees for our business. Any material increase in employee turnover rates in our existing restaurants and any failure to recruit skilled personnel and to retain key staff due to factors, such as failure to keep up with market average employee salary levels, may make our growth strategy difficult to implement. Any

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increased labor costs due to factors like competition, increased minimum wage requirements and employee benefits would adversely impact our operating costs. Any of the above would materially and adversely affect our business and results of operations.

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

In accordance with the PRC laws and regulations, we are required to maintain various approvals, licenses and permits in order to operate our restaurant business in the PRC. Each of our restaurants in the PRC is required to obtain the relevant catering service license. In addition, substantially each of our restaurants in the PRC is required to fill out Environment Impact Registration Form for record, and to pass the necessary fire safety verification or fire safety inspection. These approvals, licenses and permits are achieved upon satisfactory compliance with, amongst other things, the applicable food hygiene and safety, environmental protection and fire safety laws and regulations. Most of these licenses are subject to examinations or verifications by relevant authorities and some are valid only for a fixed period of time subject to renewal and accreditation.

Complying with government regulations may require substantial expense, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expense and divert substantial management time to resolving any deficiencies. We may also experience adverse publicity arising from such non-compliance with government regulations that negatively impacts our brand.

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

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

Companies operating in the PRC are required to make social insurance and housing provident funds for their employees. Our PRC subsidiaries have in the past failed to make social security insurance and housing provident fund contributions for some of our employees timely in accordance with the relevant PRC laws and regulations. For details, see “Business — Licenses, Regulatory Approvals and Compliance — Social Insurance and Housing Provident Funds.” Our PRC Legal Advisor has advised us that, pursuant to relevant PRC laws and regulations, we may be ordered by the relevant PRC authorities to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue charge of 0.05% of the delayed payment per day. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. Our PRC Legal Advisor has further advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to

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make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

We are exposed to risks relating to our plans for future expansion into overseas markets.

We may consider to further expanding our operations overseas in the future. Overseas operations may expose us to various risks including:

- different consumer preferences and discretionary spending patterns;
- the infringement of our intellectual property rights in foreign jurisdiction;
- political risks, including civil unrest, acts of terrorism, acts of war, regional and global political or military tensions and strained or altered foreign relations;
- difficulties and costs associated with complying with, and enforcing remedies under, a wide variety of complex domestic and international laws, treaties and regulations;
- difficulties with staffing and managing overseas operations;
- foreign currency exchange controls and fluctuations;
- uncertainties in the interpretation and application of tax laws and regulations, more onerous tax obligations and unfavorable tax conditions; and
- cultural and language difficulties.

As a result of the above factors, restaurants opened in overseas markets may take longer than expected to ramp up and reach, or may never reach, expected sales and profit levels, thereby affecting our overall profitability.

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

As of the Latest Practicable Date, with respect to 38 out of 307 of our leased properties in China, the lessors of such properties still failed to provide us with sufficient or valid ownership certificates or any form of permission to sublet from the owners, despite the proactive requests we previously made, with an aggregate GFA of approximately 18,879 square meters, representing approximately 13.8% of the total GFA of our leased properties (“**Leased Properties Pending Title or Authorization Documents**”). Based on the advice of our PRC Legal Advisor, if the lessors of the leased properties do not have the requisite rights to lease the relevant properties, the relevant lease agreements may be deemed invalid, and as a result, we may be required to vacate from the relevant properties and relocate our restaurants. In this event, our operation of restaurants on such properties may be impaired and we may not be adequately indemnified by the landlords for our related losses. Also, we will incur additional costs in relocating our restaurants to other suitable locations, thus affecting our business operations and financial condition.

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As of the Latest Practicable Date, the lease agreements with respect to 216 of 307 of our leased properties were not registered with the appropriate government authorities in the PRC. As advised by our PRC Legal Advisor, failure to complete the registration of lease agreements may lead to a fine ranging from RMB1,000 to RMB10,000 imposed by the relevant PRC authorities. See “Business — Properties — Properties Leased in the PRC — Lease Registration — Legal Consequences and Potential Liabilities.”

The actual use of eight leased properties (with an aggregate GFA of approximately 4,268 square meters, representing approximately 3.1% of our total leased GFA, one of which is also among the Leased Properties Pending Title or Authorization Documents) does not fit into the prescribed scope of usage shown on the relevant ownership certificates (“**Leased Properties with Usage Defects**”). For the Leased Properties with Usage Defects, as advised by our PRC Legal Advisor, administrative penalties may be imposed on the owners if the properties are leased for the usage incompatible with the prescribed scope, and our usage of the Leased Properties with Usage Defects may be interrupted. However, as a tenant, we are not subject to any penalties in this regard.

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

As of December 31, 2016, 2017 and 2018 and June 30, 2019 and October 31, 2019, we recorded net current liabilities of RMB145.8 million, RMB107.3 million, RMB213.4 million, RMB319.1 million and RMB247.2 million, respectively. See “Financial Information — Working Capital” for a detailed analysis of our net current liability position.

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

We may need additional capital, and our ability to obtain additional capital is subject to uncertainties.

We believe that our current cash and cash equivalents, anticipated cash flow from operations and the proceeds from this offering will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of our new restaurant openings, investments in new restaurants and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing by selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to shares held by our shareholders. The incurrence of indebtedness

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would result in increased debt service obligations and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial condition may be materially and adversely affected.

Our ability to obtain additional capital on acceptable terms may be subject to a variety of uncertainties, including but not limited to:

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

We cannot assure you that future financing will be available in amounts or on terms acceptable to us, or at all. If we fail to raise additional funds, we may need to sell debt or additional equity securities, reduce our growth to a level that can be supported by our cash flow or defer planned expenditures.

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

Our inventory primarily consists of food ingredients, condiment product, beverage and other materials used in our restaurant operations. As of December 31, 2016, 2017 and 2018 and June 30, 2019, the balances of our inventories amounted to RMB20.4 million, RMB33.0 million, RMB36.4 million and RMB44.2 million, respectively. During the Track Record Period, no provision for impairment of inventories was recognized.

Our major food ingredients, including bass, beef, pork, chicken and vegetables, have a typical shelf life of three days, six to 12 months, three to 12 months, three to 12 months and one to four days, respectively. The risk of obsolescence for our inventory increases as the age of our food ingredients increases. In addition, though we adopt multiple methods to manage inventory levels as set out in "Business — Procurement — Inventory Management", certain factors such as unexpected fluctuations in the supply of raw materials or changes in customers' tastes and preferences are beyond our control and may lead to decreased demand and overstocking of particular products, which in turn increases the risk of obsolescence for our inventory. Furthermore, as our restaurant network expands, our inventory level increases and our inventory obsolescence risk may also increase along with the increased purchase of inventories. In such circumstances, our business, financial condition and results of operations may be materially and adversely affected.

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

Our credit risk is primarily attributable to trade and other receivables. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our trade and other receivables amounted to approximately RMB85.1 million, RMB96.1 million, RMB124.5 million and RMB158.4 million, respectively. For further details, see “Financial Information — Analysis of Selected Statements of Financial Position Items — Trade and Other Receivables.”

Our trade receivables in connection with (i) bills settled through payment platforms such as Alipay or WeChat Pay, which were normally settled within a short period of time, (ii) bills for our delivery business settled through third party delivery services platform, which were settled within three calendar days, and, to a lesser extent, (iii) bills received by shopping malls on behalf of us for certain restaurants, which were normally settled within one month are with no past due history. We also have concentration of credit risk on amounts due from related parties, which represented receivables from Machang Restaurant.

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

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

As of December 31, 2016, 2017 and 2018 and June 30, 2019, our deferred tax assets amounted to RMB30.8 million, RMB37.9 million, RMB52.0 million and RMB57.3 million, respectively. As deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized, management’s judgment is required to assess the probability of future taxable profits.

During the Track Record Period, some of our PRC subsidiaries incurred losses which were available for recognition of deferred tax assets to the extent that it was probable that future taxable profit would be available against which losses could be utilized. As of December 31, 2016, 2017 and 2018 and June 30, 2019, we had unrecognized deferred tax assets in respect of cumulative tax losses arising from some of our PRC subsidiaries of approximately RMB14.0 million, RMB18.9 million, RMB25.5 million and RMB25.4 million, respectively, that will expire in five years for offsetting against future taxable profits of the companies in which the losses arose. Future profits generated by existing restaurants may be offset by investment costs, such as upfront costs incurred in establishing new restaurants and subsidiaries for the management and operation of brands and restaurants, which will increase the uncertainty in the utilization of tax losses prior to expiry. Our Directors considered that it is uncertain that taxable profits will be available in the foreseeable future against which the tax losses can be utilized for these entities and therefore, no deferred tax assets are recognized for such tax losses during the Track Record Period.

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

We may continue to recognize impairment losses for property, plant and equipment and right-of-use assets.

For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, we recognized impairment losses of approximately RMB0.6 million, RMB2.0 million, RMB7.3 million and nil, respectively, due to the unfavorable future performance prospects of certain restaurants at the end of each reporting period. For details of accounting treatment, see note 11 to the Accountants' Report set forth in Appendix I.

We may continue to recognize impairment losses for property, plant and equipment and right-of-use assets in the future as we are actively expanding our restaurant network and the performance of certain restaurants may not meet our expectation. If we continue to recognize impairment losses for property, plant and equipment and right-of-use assets, our financial condition and results of operations may be materially and adversely affected.

The valuation uncertainty of our unlisted equity securities due to the use of unobservable inputs may materially and adversely affect our financial condition and results of operations.

Due to insufficient more recent information, the fair value of our unlisted equity securities is measured by using unobservable inputs, i.e. the cost as approximation of their fair value, and the fair value of such unlisted equity securities may not be reliably measured. For details of the accounting treatment, see note 27 to the Accountants' Report set forth in Appendix I. Thus, we are exposed to changes in fair value and valuation uncertainty which may materially and adversely affect our financial condition and results of operations.

The adoption of IFRS 16 significantly affected our financial condition and resulted in our accumulated losses at the beginning of the Track Record Period due to our lease arrangements, any future changes in the accounting standards may adversely affect our financial condition and results of operations.

As of the Latest Practicable Date, we leased 307 properties in the PRC. All of our restaurants are operating on these leased properties. We also lease various apartments and electronic devices.

The Group has elected to adopt IFRS 16 consistently throughout the Track Record Period. The adoption of IFRS 16 primarily affects the Group's accounting as a lessee of leases for properties, plant and equipment which are classified as operating leases under IAS 17, *Leases*.

In accordance with IFRS 16, during the Track Record Period, we as a lessee recognize right-of-use assets and lease liabilities for all fixed-rate leases, except for short-term leases with lease term of 12 months or less and lease of low-value assets. Our current accounting policy for such leases is set out in note 2(h) to the Accountants' Report set forth in Appendix I.

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For such leases, future relevant lease payments have been discounted as “lease liabilities” in our consolidated statements of financial position. For the discount rate used, we determined to use the incremental borrowing rate, being the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of use asset in a similar economic environment. The incremental borrowing rate for the recognition of lease liability is highly judgemental.

Under IFRS 16, after the initial recognition of right-of-use assets, lease liabilities and provisions for restoration costs, we, as a lessee, were required to recognize (i) depreciation of right-of-use assets, (ii) interest expenses under finance costs accrued on the outstanding balance of the lease liabilities and (iii) interest expenses under finance costs accrued on the outstanding balance of provisions for restoration costs accordingly. As a result, other rental and related expenses under otherwise identical circumstances decreased, while depreciation of right-of-use assets and finance costs increased. The total amount of depreciation of right-of-use assets, interest expenses accrued on the outstanding balances of lease liabilities and interest expenses accrued on the outstanding balances of provisions for restoration costs was higher in the early periods and lower in the later periods of each lease, which resulted in a front-loaded lease expenses recognition pattern, and it led to a decrease in profit before tax in the initial years of the leases.

The front-loaded lease expenses recognition pattern under IFRS 16 resulted in the recognition of additional cumulative lease expenses of RMB70.3 million in aggregate to the opening balance of retained profits as at January 1, 2016. In addition, we conducted impairment tests for right-of-use assets of underperformed Jiu Mao Jiu restaurants and recognized impairment losses of right-of-use assets of RMB21.7 million to the opening balance of retained profits at January 1, 2016. As a result, we had accumulated losses of approximately RMB55.6 million as of January 1, 2016 primarily due to our retrospective adoption of IFRS 16 throughout the Track Record Period.

The adoption of IFRS 16 affected virtually all commonly used financial ratios and performance metrics, such as gearing ratio, current ratio, quick ratio, profit before taxation, profit for the year/period, cash generated from operations and cash flows from financing activities. The recognition of right-of-use assets and lease liabilities expanded our consolidated statements of financial position and will materially affect our related financial ratios. In particular, (i) our current ratio and quick ratio decreased as a result of the recognition of the current portion of the lease liabilities; and (ii) our gearing ratios increased as a result of the decrease in net assets from the adoption of IFRS 16.

Therefore, any future changes in the accounting standards and the changes in discount rates for the recognition of lease liabilities may affect our financial condition, results of operations and key financial ratios. For details of the impact on the key items in the Group’s consolidated statements of financial position as of December 31, 2016, 2017 and 2018 and June 30, 2019, and in the Group’s consolidated statements of profit or loss and consolidated cash flow statements during the Track Record Period, see “Financial Information — Basis of Presentation — Impact of the Adoption of IFRS 9, IFRS 15 and IFRS 16.”

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RISKS RELATING TO OUR INDUSTRY

Intense competition in the catering service industry could prevent us from increasing or sustaining our revenue and profitability.

The catering service industry is intensely competitive with respect to, among other things, food quality and consistency, taste, price, ambiance, service, location, supply of quality food ingredients and employees. We face significant competition at each of our locations from a variety of restaurants in various market segments, including locally-owned restaurants and regional and international chains. Our competitors also offer dine-in, take-away and delivery services. There are a number of well-established competitors with substantially greater financial, marketing, personnel and other resources than ours, and many of our competitors are well established in the markets where we have restaurants or in which we intend to open new restaurants. Additionally, other companies may develop new restaurants that operate with similar concepts and target our customers, thus resulting in increased competition.

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

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

Our business is subject to various compliance and operational requirements under PRC laws. The failure of any of our restaurants to comply with applicable laws and regulations, including laws governing our relationship with our employees, may incur substantial fines and penalties from the relevant PRC government authorities. Each of our restaurants must hold a basic business license issued by the local government authorities and must have restaurant operations within the business scope of its business license. Our business is also subject to various regulations that affect various aspects of our business in the cities in which we operate, including fire safety, food hygiene and environmental protection. Each of our restaurants must obtain various licenses and permits or conduct record filing procedures under these regulations. Although we have not been subject to any material fines or other penalties in relation to any non-compliance in the past, if we fail to cure such non-compliance in a timely manner, we may be subject to fines, confiscation of the gains derived from the related restaurants or the suspension of operations of the restaurants that do not have all the requisite licenses and permits, which could materially and adversely affect our business and results of operations. See also “Regulatory Overview — Law and Regulations on Food Safety and Licensing Requirement for Consumer Food Services” and “Regulatory Overview — Regulations on Fire Prevention.”

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

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

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

Since August 2018, there has been an outbreak of African swine fever (“**ASF**”) in several provinces in China. ASF is not a human health threat but it is a dreadful disease in pigs and can cause massive deaths of pigs in a short period of time. As a result of the ASF, China has slaughtered infected pigs and prohibited the export of pork from certain provinces, which affected our supply of fresh pork. To diversify our supply of pork, we have also been purchasing pork from suppliers in other countries, such as Spain, the United Kingdom and Denmark. However, if there is a prolonged or recurrence of shortage of fresh pork supply from China, we cannot guarantee that alternative sources of supply could continue to supply fresh pork to us at a reasonable price; and if we could not shift such cost burden to our customers, we may experience material adverse impact on our business operation and financial performance. The recurrence of epidemics and diseases like ASF may cause severe disruption to our supply and we cannot guarantee that we will be able to find similar supplies at similar prices within a reasonable time, which in turn may materially and adversely affect our business and results of operations.

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

The catering service industry is affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels and consumer spending patterns. In particular, most of our restaurants are located in China and accordingly, our results of operations are closely affected by the macro-economic conditions

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in China. Any deterioration of the Chinese economy, decrease in disposable consumer income, fear of recession and decreases in consumer confidence may lead to a reduction of customer traffic and average spending per customer at our restaurants. These macro-economic factors could materially and adversely affect our financial condition and results of operations.

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

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

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

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in PRC economic, political and social conditions, as well as government policies, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Substantially all of our business assets are located in the PRC and all of our sales are derived from the PRC. In particular, we generated a substantial portion of our turnover from Guangdong during the Track Record Period. Accordingly, our results, financial position and prospects are subject, to a significant degree, to the economic, political and legal developments of the PRC. Political and economic policies of the PRC Government could affect our business and financial performance and may result in our being unable to sustain our growth.

In recent years, the PRC Government implemented a series of new laws, regulations and policies which imposed stricter standards with respect to, among other things, quality and safety control and supervision and inspection of enterprises engaged in catering service industry. See "Regulatory Overview" for more details. If the PRC Government continues to impose stricter regulations on the catering service industry, we could face higher costs in order to comply with those regulations, which could impact our profitability.

The economy of the PRC differs from the economies of the most developed countries in a number of respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange. Before its adoption of reform and open-door policies beginning in 1978, the PRC was primarily a planned economy. Since that time, the

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PRC Government has been reforming the PRC economic system, and has also begun reforming the government structure in recent years. These reforms have resulted in significant economic growth and social progress. Although the PRC Government still owns a significant portion of the productive assets in the PRC, economic reform policies since the late 1970s have emphasized autonomous enterprises and the utilization of market mechanisms, especially where these policies apply to businesses such as ours. Although we believe these reforms will have a positive effect on our overall and long-term development, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our future business, results or financial condition.

Our ability to continue to expand our business is dependent on a number of factors, including general economic and capital market conditions and credit availability from banks or other lenders. Stricter lending policies may, among other things, affect our ability to obtain financing which may in turn adversely affect our growth and financial condition. We cannot give any assurances that further measures to control growth in lending will not be implemented in a manner that may adversely affect our growth and profitability over time.

The economic growth over the past few decades in China was rapid; however, its continued growth has faced downward pressure since 2008 and its annual GDP growth rate has declined from 9.6% in 2011 to 6.6% in 2018, according to the National Bureau of Statistics of China (中華人民共和國國家統計局). There is no assurance that the future growth will be sustained at similar rates or at all. The PRC Government's economic, political and social policies, including those related to our industry may materially and adversely affect our business, financial position, results of operations and prospects.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us and limit the legal protection available to you.

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

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

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

The Renminbi is not currently a freely convertible currency, as the PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and in certain cases, the remittance of currency out of China. We receive substantially all of our payments from customers in Renminbi and will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares and to fund our business activities outside China. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under the PRC's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE or its local branches by complying with certain procedural requirements. However, the PRC Government may take measures at its discretion in the future to restrict access to foreign currencies for current account transactions if foreign currencies become scarce in the PRC. We may not be able to pay dividends in foreign currencies to our Shareholders if the PRC Government restricts access to foreign currencies for current account transactions. Foreign exchange transactions under our capital account continue to be subject to significant foreign exchange controls and require the approval of the SAFE or its local branches. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

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

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

There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of Renminbi against the U.S. dollar, the Hong Kong dollar or other foreign currencies. The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

RISK FACTORS

We may be deemed to be a PRC tax resident under the PRC EIT Law and our PRC-sourced income may be subject to PRC withholding tax under the PRC EIT Law.

We are incorporated under the laws of the Cayman Islands and directly hold interests in our PRC operating subsidiaries. Pursuant to the PRC EIT Law, which became effective on January 1, 2008, and was last amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which took effect on January 1, 2008 and was last amended on April 23, 2019, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC resident enterprise are subject to a 10% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement.

The PRC EIT Law provides that if an enterprise incorporated outside the PRC has its “de facto management bodies” within the PRC, such enterprise may be deemed a “PRC resident enterprise” for tax purposes and be subject to an enterprise income tax rate of 25% on its global incomes. “De facto management body” is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the SAT promulgated the Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) which was amended on December 29, 2017 to clarify the certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by PRC enterprises. These criteria include: (i) the enterprise's premises where its senior officers and senior management departments in charge of routine production and operation management perform their duties are mainly located in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for foreign enterprises which are not controlled by PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the tax authorities will treat a case such as ours. We cannot assure you that we will not be considered a PRC resident enterprise for PRC enterprise income tax purposes and be subject to the uniform 25% enterprise income tax on our global incomes. In addition, although the PRC EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, due to the short history of the PRC EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC incorporated subsidiary to us will meet such qualification requirements even if we are considered a PRC resident enterprise for tax purposes.

Furthermore, the PRC EIT Law provides that, (i) if the enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realized from transferring equity interest of enterprises domiciled in the PRC, then such dividends or capital gains are treated as PRC-sourced income. It is not clear how “domicile” may be interpreted under the PRC EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered a PRC resident enterprise for tax purposes, any dividends we pay to our overseas corporate Shareholders who are not deemed a PRC resident enterprise

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as well as gains realized by such Shareholders from the transfer of our Shares may be regarded as PRC-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10%.

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

We are a holding company incorporated in the Cayman Islands and operate our businesses through our operating subsidiaries in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders depends upon dividends received from these subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted. The PRC laws and regulations require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRS and International Financial Reporting Standards. The PRC laws and regulations also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

In addition, under the PRC EIT Law, if a foreign entity is deemed to be a “non-resident enterprise” as defined under the EIT, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since January 1, 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements. According to the double taxation avoidance arrangement between the PRC and Hong Kong, dividends paid by a PRC foreign-invested enterprise in the PRC to its shareholder(s) incorporated in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds 25% or more interest in the PRC enterprise. The SAT promulgated the Announcement of the SAT on Issues Regarding Beneficial Owner under Tax Treaties (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) (the “**Circular 9**”) on February 3, 2018, which addresses the methods to determine the “beneficial owners” under the double taxation avoidance arrangement between the PRC and Hong Kong on dividends, interest and royalties.

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

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

Under the PRC EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are “non-resident enterprises”, which do not have an establishment or place of business in China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China.

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

If we are treated as a PRC resident enterprise as described under the risk factor headed “— We may be deemed to be a PRC tax resident under the PRC EIT Law and our PRC-sourced income may be subject to PRC withholding tax under the PRC EIT Law” dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within China and as a result be subject to the PRC income taxes described above. However, shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties may apply to the PRC tax authorities to be recognized as eligible for such benefits in accordance with the Announcement of the SAT on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (《國家稅務總局關於發布〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》) (the “Circular 60”), which was issued on August 27, 2015 and was latest amended on June 15, 2018. According to the Circular 60, the preferential tax rate does not automatically apply. With respect to dividends, the “beneficial owner” tests under the Circular 9 will also apply. If determined to be ineligible for the foregoing tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would subject to higher PRC tax rates. In such cases, the value of your investment in our Shares may be materially and adversely affected.

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

We are incorporated in the Cayman Islands. Almost all of our assets, and a significant portion of the assets of our Directors are located in the PRC. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和

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執行當事人協議管轄的民商事案件判決的安排》(the “**2006 Arrangement**”), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC, and vice versa. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing under the 2006 Arrangement.

On January 18, 2019, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**2019 Arrangement**”) was signed between the Supreme People’s Court of China and Hong Kong. Comparing with the 2006 Arrangement, the 2019 Arrangement seeks to establish a bilateral legal mechanism with greater clarity and certainty for reciprocal recognition and enforcement of judgments between Hong Kong and the PRC in civil and commercial matters under both Hong Kong and PRC laws. The 2019 Arrangement will apply to judgments made by the courts of Hong Kong and the PRC on or after its commencement date, which will be announced by Hong Kong and the PRC after necessary procedures of both places have been completed. The 2006 Arrangement will be superseded upon the effective date of the 2019 Arrangement. However, the 2006 Arrangement will remain applicable to a “choice of court agreement in writing” as defined in the 2006 Arrangement which is entered into before the 2019 Arrangement taking effect.

Although the 2019 Arrangement has been signed, it remains unclear as to its effective date and uncertain as to the outcome and effectiveness of any action brought under the 2019 Arrangement.

The heightened scrutiny over acquisitions from the PRC tax authorities may have an adverse impact on our business, acquisitions or restructuring strategies.

On February 3, 2015, the SAT promulgated the Announcement of SAT on Several Issues Concerning Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “**Circular 7**”), which provides comprehensive guidelines relating to, and heightened the PRC tax authorities’ scrutiny on indirect transfers, by a non-resident enterprise, of assets (including equity interests) of a PRC resident enterprise.

There are uncertainties as to the application of the Circular 7. The Circular 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions or sale of the shares of our offshore subsidiaries, where non-resident enterprises being transferors were involved. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with the Circular 7 or to establish that we and our non-resident enterprises should not be taxed under the Circular 7 for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have a material and adverse effect on our financial condition and results of operations.

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

The SAFE promulgated Circular 37 on July 4, 2014 to replace the Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Administration for Financing and Return Investments by Domestic Residents through Special-Purpose Overseas Companies (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “**Circular 75**”). According to Circular 37, PRC residents (including PRC citizens and PRC enterprises) shall apply to the SAFE or its local bureau to register for foreign exchange for overseas investments before contributing to special purpose vehicles (the “**SPVs**”) with legitimate domestic and overseas assets or rights and interests. In the event of any alteration in the basic information of the registered SPVs, such as the change of a PRC citizen shareholder, name and operating duration; or in the event of any alternation in key information, such as increases or decreases in the share capital held by PRC citizens, or equity transfers, swaps, consolidations, or splits, the registered PRC residents shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus.

We may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals and may not always be able to compel our beneficiaries to comply with the requirements of the Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by the Circular 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions on the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

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

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

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

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

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

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

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price range of our Shares, and the Offer Price, will be the result of negotiations between the Joint Global Coordinators (for itself and on behalf of the Underwriters) and us. In addition, while we have applied to have our Shares listed on the Stock Exchange, there can be no guarantee that (i) an active trading market for our Shares will develop or, (ii) if it does, that it will be sustained following the completion of the Global Offering, or (iii) that the market price of our Shares will not decline below the Offer Price. You may not be able to resell your shares at a price that is attractive to you, or at all.

The price and trading volume of our Shares may be volatile which could result in substantial losses for investors purchasing our Shares in the Global Offering.

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

- variations of our results of operations (including variations arising from foreign exchange rate fluctuations);
- loss of customers;
- changes in securities analysts' estimates of our financial performance;
- announcement by us of significant acquisitions, greenfield developments, strategic alliances or joint ventures;
- addition or departure of key personnel;
- fluctuations in stock market price and volume;
- involvement in litigation; and
- general economic and stock market conditions.

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

Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.

The Offer Price of our Offer Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the pricing date. As a result, investors may not be able to sell or 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 adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

Future sale or major divestment of Shares by our Controlling Shareholders or our financial investors could materially and adversely affect the prevailing market price of our Shares.

The future sale of a significant number of our Shares in the public market after the Global Offering, or the possibility of such sales, by our Controlling Shareholders or financial investors could materially and adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. Although our Controlling Shareholders and financial investors have agreed to a lock-up on their Shares, any major disposal of our Shares by any of our Controlling Shareholders and financial investors upon expiry of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing market price of our Shares to fall, which could negatively impact our ability to raise equity capital in the future.

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

Immediately following the Global Offering, our Controlling Shareholders will, in aggregate, beneficially own approximately 46.08% of our Company's outstanding shares on a fully-diluted basis, or approximately 44.42% if the Over-allotment Option is exercised in full. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholder conflict with the interests of our other Shareholders, or if our Controlling Shareholder cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, the non-controlling shareholders could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

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

Dividends declared in the past may not be indicative of our dividend policy in the future.

On September 24, 2019, the Board of Directors declared dividends of approximately RMB50.6 million to the Shareholders. Dividends of RMB9.0 million, RMB20.0 million, approximately RMB54.8 million, approximately RMB24.8 million (unaudited) and nil were declared by Guangzhou Jiumaojiu during the years ended December 31, 2016, 2017, and 2018 and the six months ended June 30, 2018 and 2019, respectively. A declaration of dividends is proposed by our Board of Directors and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Board of Directors may determine are important. Accordingly, our historical dividend distributions are not indicative of our future dividend distribution policy, and potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined.

Certain statistics contained in this prospectus are derived from a third-party report and publicly available official sources.

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

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

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

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

The Offer Price of our Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of our shares in the Global Offering will experience an immediate dilution in the pro forma net tangible asset value.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience further dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share.

There may be difficulties in protecting your interests under the laws of the Cayman Islands.

Our corporate affairs are governed by, among other things, our Memorandum of Association, Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

RISK FACTORS

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

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

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong.

The headquarters of our Company is located in the PRC. All of our executive Directors and all members of the senior management of our Group currently reside in the PRC. We do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures to ensure that regular communication is maintained between the Stock Exchange and us:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Li Zhuoguang (李灼光), our executive Director and Mr. Matthew Mo Kan Tsui (崔慕勤), our joint company secretary. Both of the authorized representatives: (i) are, and will be, readily contactable by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange; (ii) have the means to contact all the Directors (including the independent non-executive Directors) promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters; and (iii) are to act at all times as the principal channel of communication between the Stock Exchange and us;
- (b) we have provided with the Stock Exchange with the contact details of each Director, including their office phone numbers, mobile phone numbers, facsimile numbers and email addresses to facilitate communication with the Stock Exchange;
- (c) Central China International Capital Limited, our compliance advisor, will act as an additional channel of communication with the Stock Exchange; and
- (d) our Directors who are not ordinarily resident in Hong Kong possess or will apply for valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable notice.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. 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); or
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

We have appointed Mr. Li Zhuoguang (李灼光) as one of the joint company secretaries. Although the Company believes, having regard to Mr. Li's past experience in handling administrative and corporate matters, that he has a thorough understanding of the internal administration and business operation of our Group, Mr. Li does not possess requisite qualifications as required under Rule 3.28 of the Listing Rules. Therefore, the Company has appointed Mr. Matthew Mo Kan Tsui (崔慕勤), who is a Hong Kong resident and possesses such qualifications, to be a joint company secretary to assist Mr. Li in the compliance matters under the Listing Rules as well as other Hong Kong regulatory requirements for a period of three years commencing from the Listing Date.

Mr. Tsui will work closely with and assist Mr. Li so as to enable him to discharge his duties and responsibilities as a joint company secretary of the Company. Given Mr. Tsui's relevant experiences, he will be able to advise both Mr. Li and the Company on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong. Pursuant to Rule 3.29 of the Listing Rules, Mr. Li and Mr. Tsui will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other regulatory requirements of Hong Kong. Both Mr. Li and Mr. Tsui will be advised by the legal advisor of the Company as to Hong Kong laws and the compliance advisor of the Company as and when appropriate and required.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years commencing from the Listing Date and such waiver will be revoked immediately if Mr. Tsui ceases to provide such assistance. Prior to the expiration of the initial three-year period, the Company will evaluate the qualifications and experiences of Mr. Li. Upon the determination of the Company that no on-going assistance to Mr. Li is necessary, the Company will demonstrate to the Stock Exchange that, with the assistance of Mr. Tsui over such three-year period, Mr. Li has acquired the requisite knowledge and experience as prescribed in Rule 3.28 of the Listing Rules, so that a further waiver will not be necessary.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from the strict compliance with the requirements in relation to certain continuing connected transactions under Chapter 14A of the Listing Rules. See “Connected Transactions” for further details.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY STATEMENT

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

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus 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 prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and any of the Underwriters, any of our or 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 Joint Global Coordinators. 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 us and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see "Underwriting" for further details.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the 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 prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set forth in “How to Apply for Hong Kong Offer Shares” and in the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

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

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in “Structure of the Global Offering”.

RESTRICTIONS ON OFFERS AND SALES OF SHARES

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

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus and/or the Application Forms may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering 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 and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and 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 the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

No part of our equity or debt securities 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 in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, January 15, 2020. The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares will be 9922.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the 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 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 business 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 arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our Principal Share Registrar and Transfer Office, Walkers Corporate Limited, in the Cayman Islands, and our Company's Hong Kong register of members will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

Dealings in our Shares registered on our Hong Kong register will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

CSRC APPROVAL AND OTHER RELEVANT PRC AUTHORITIES APPROVAL

The Listing does not require the approval of the CSRC or any other PRC government authorities under the current PRC laws and regulations.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in RMB have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following exchange rate: RMB1.00: HK\$1.1137.

Unless otherwise specified, amounts denominated in U.S. dollars have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following exchange rate: US\$1.00: HK\$7.7982.

No representation is made that any amounts in RMB or U.S. dollars were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

ROUNDING

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

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Guan Yihong (管毅宏)	201, No. 6, Tancun Road, Tianhe District, Guangzhou, China	Chinese
Mr. Li Zhuoguang (李灼光)	502, Building 8, Ya Yue Ting Agile Garden, Nancun Town Panyu District, Guangzhou, China	Chinese
Ms. Cui Longyu (崔弄宇)	0605, No.9 Xuyi Street, Baogang Avenue, Guangzhou, China	Chinese
Non-executive Director		
Mr. Zou Dinghang (鄒定航)	1603, No. 193 Huajing North Road, Tianhe District, Guangzhou, China	Chinese
Independent Non-executive Directors		
Mr. Deng Tao (鄧濤)	Room 1202, No.1 Mingquan Street, Yiyuan Road, Guangzhou, China	Chinese
Mr. Zhong Weibin (鐘偉斌)	Room A4-0502, The Riviera, No. 59 Linjiang Avenue, Tianhe District, Guangzhou, China	Chinese
Mr. Ivan Xu	Flat D, 18/F, Block 6, Coastal Skyline, Phase 4, Le Bleu Deux, 12 Tung Chung Waterfront Road, Tung Chung, Lantau Island, Hong Kong	Saint Kitts and Nevis

Further information about the Directors and senior management members is set out in “Directors and Senior Management”.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

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

**Joint Global Coordinators, Joint
Bookrunners and Joint Lead
Managers**

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

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Legal Advisors to Our Company

As to Hong Kong laws:

Miao & Co.
(in association with Han Kun Law Offices)
Rooms 3901–05
39/F., Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC laws:

Zhong Lun Law Firm
23/F, R&F Center
10 Huaxia Road
Zhujiang New Town
Tianhe District
Guangzhou, PRC

As to Cayman Islands laws:

Walkers (Hong Kong)
15th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisors to the Sole
Sponsor and the Underwriters**

As to Hong Kong laws:

Mayer Brown
16th–19th Floors
Prince’s Building
10 Chater Road
Central
Hong Kong

As to PRC laws:

JunHe LLP
Suite 1301
13/F E Building
G.T. Land Plaza
No. 13 Zhujiang East Road
Zhujiang New Town
Tianhe District
Guangzhou, PRC

**Auditor and Reporting
Accountants**

KPMG
8th Floor
Prince’s Building
10 Chater Road
Central
Hong Kong

Industry Consultant

**Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.**
1018, Tower B
500 Yunjin Road
Shanghai, China

Compliance Advisor

Central China International Capital Limited
Suite 3108
Two Exchange Square
8 Connaught Place
Central
Hong Kong

Receiving Bank

CMB Wing Lung Bank Limited
19/F, CMB Wing Lung Bank Building
45 Des Voeux Road Central
Hong Kong

CORPORATE INFORMATION

Registered Office	Cayman Corporate Centre 27 Hospital Road, George Town Grand Cayman KY1-9008 Cayman Islands
Headquarters	No. 668 West Huangpu Avenue Race Track Food Street 2/F 8–9 Tianhe District Guangzhou, PRC
Principal Place of Business in Hong Kong	27/F, Lancashire Center 361 Shau Kei Wan Road Hong Kong
Company's Website	<u>www.jiumaojiu.com</u> <i>(Note: the information on this website does not form a part of this prospectus)</i>
Joint Company Secretaries	Mr. Li Zhuoguang (李灼光) 502, Building 8, Ya Yue Ting, Agile Garden Nancun Town, Panyu District Guangzhou China Mr. Matthew Mo Kan Tsui (崔慕勤) (HKICPA) Flat C, 2/F, Edward Mansion 230 Prince Edward Road Kowloon Hong Kong
Authorized Representatives	Mr. Li Zhuoguang (李灼光) 502, Building 8, Ya Yue Ting, Agile Garden Nancun Town, Panyu District Guangzhou China Mr. Matthew Mo Kan Tsui (崔慕勤) Flat C, 2/F, Edward Mansion 230 Prince Edward Road Kowloon Hong Kong
Audit Committee	Mr. Deng Tao (鄧濤) (<i>Chairman</i>) Mr. Zhong Weibin (鍾偉斌) Mr. Zou Dinghang (鄒定航)
Remuneration Committee	Mr. Zhong Weibin (鍾偉斌) (<i>Chairman</i>) Mr. Deng Tao (鄧濤) Mr. Li Zhuoguang (李灼光)

CORPORATE INFORMATION

Nomination Committee	Mr. Guan Yihong (管毅宏) (<i>Chairman</i>) Mr. Zhong Weibin (鍾偉斌) Mr. Deng Tao (鄧濤)
Risk Management Committee	Mr. Deng Tao (鄧濤) (<i>Chairman</i>) Mr. Zhong Weibin (鍾偉斌) Mr. Ivan Xu
The Cayman Islands Principal Share Registrar and Transfer Office	Walkers Corporate Limited Cayman Corporate Centre 27 Hospital Road, George Town Grand Cayman KY1-9008 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen’s Road East Wanchai Hong Kong
Principal Bank	Industrial Bank Co., Ltd. Guangzhou Dongfeng Sub-branch First Floor, Jin’an Building 300 Dongfeng Middle Road, Yuexiu District Guangzhou, PRC

INDUSTRY OVERVIEW

The information presented in this section is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan which was commissioned by us, unless otherwise indicated. We believe that the sources of such information are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers or representatives or any other person (excluding Frost & Sullivan) involved in the Global Offering and no representation is given as to its accuracy. The information and statistics may not be consistent with other information and statistics.

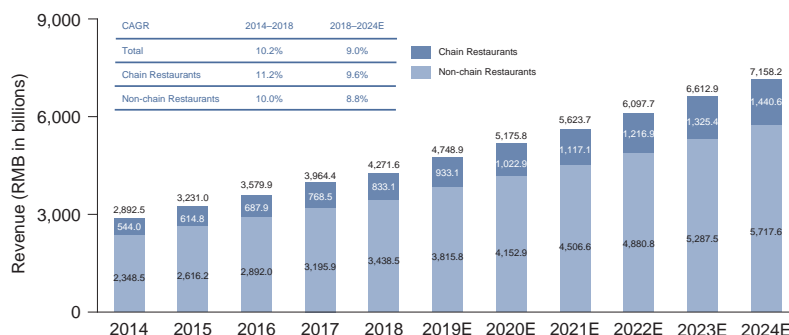
CATERING SERVICE MARKET IN CHINA

Catering service market in China has experienced a rapid growth in recent years, with its total revenue growing from RMB2,892.5 billion in 2014 to RMB4,271.6 billion in 2018, representing a CAGR of 10.2%. In the future, the revenue growth of catering service market in China is forecasted to grow at a CAGR of 9.0% from 2018 to 2024, reaching RMB7,158.2 billion in 2024 primarily driven by (i) the economic growth and increasing disposable income, (ii) increasing per capita annual food expenditure, and (iii) rapid urbanization resulting in easier access to a wider range of restaurants for consumers in non-tier 1 cities as more shopping malls are established in these cities.

The catering service market in China could be divided into two types by operating model, chain restaurants and non-chain restaurants. The PRC catering service market has traditionally been fragmented and dominated by standalone restaurants. Due to the difficulties in developing and managing scalable and standardized operations of Chinese cuisine restaurants, chain restaurants account for approximately 19.5% of the PRC catering service market in 2018. However, with the increasing consumers' focus on brand reputation, food safety, quality of the service and food, the growth of chain restaurants is expected to outpace non-chain restaurants at a CAGR of 9.6% from 2018 to 2024, primarily because chain restaurant brands generally have stronger capital platforms, higher brand awareness and reputation and better control on food safety. The following chart sets forth the revenue of catering service market by operating model in China for the periods indicated.

INDUSTRY OVERVIEW

Revenue of Catering Service Market (China), Breakdown by Operating Model 2014–2024E

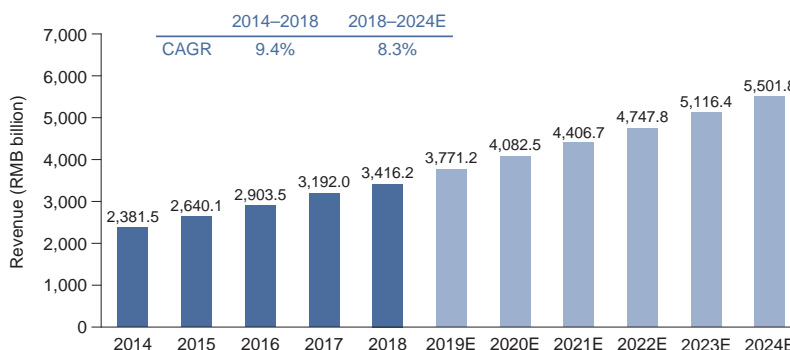


Source: National Bureau of Statistics, Frost & Sullivan

CHINESE CUISINE MARKET IN CHINA

Chinese cuisine has played a dominant role in the catering service market in China. The revenue of Chinese cuisine market increased from RMB2,381.5 billion in 2014 to RMB3,416.2 billion in 2018, representing a CAGR of 9.4% and accounting for approximately 80.0% of catering service market in China in 2018. The revenue of Chinese cuisine market in China is expected to keep the growing trend in the next few years with a CAGR of 8.3% from 2018 to 2024, reaching RMB5,501.8 billion in 2024, as indicated in the following chart.

Revenue of Chinese Cuisine Market (China), 2014–2024E



Source: Frost & Sullivan

Key Growth Drivers

According to Frost & Sullivan, the revenue of the Chinese cuisine market in China is expected to keep the growing trend in the next few years with a CAGR of 8.3% from 2018 to 2024, which is believed to be driven by the following factors:

Increasing urbanization rate. With the rapid urbanization in China, urban residents' expenditure on restaurants has presented a strong growth momentum, and the number of shopping malls has increased in recent years. The number of shopping malls in China

INDUSTRY OVERVIEW

increased from approximately 3,900 in 2014 to approximately 5,800 in 2018 and is expected to grow at a CAGR of 8.8% from 2018 to 2024. It is easier for consumers in non-tier 1 cities to access a wider range of restaurants due to the increasing number of shopping malls. Shopping malls provide great convenience to restaurants with their standardized and high-quality infrastructure, including systematic handling of restaurant opening and operation procedures, such as fire safety, electricity as well as other utilities. In addition, shopping malls generally have nationwide networks, which can be utilized by restaurant brands for their own expansion. The increasing expenditure and robust establishment of shopping malls are likely to further drive the Chinese cuisine market development.

Increasing importance of catering in shopping malls. A shopping mall is a modern version of the traditional marketplace and generally with a total area of over 30,000 square meters. Catering has become increasingly important in shopping malls in recent years, which recently takes up 20% of the total area in traditional shopping malls which are single buildings focusing on retail, and around one third in shopping malls in commercial districts. Most of the newly established shopping malls focus more on catering for a larger customer traffic. Comparing with traditional street restaurants, restaurants in shopping malls generally provide customers with better environment and services. In recent years, the average monthly rent in shopping malls in Guangzhou, Shenzhen, Shanghai, Beijing, Tianjin, Hangzhou and Wuhan, where more than 50% of our existing restaurants were located as of the Latest Practicable Date and more than 60% of new restaurants expected to be in operation as of December 31, 2021 are planned to be located, experienced a slight drop because the competition between shopping malls intensified and many of the newly opened shopping malls were located in the suburbs where the rent is lower than that in the downtown area. According to Frost & Sullivan, the monthly rent in shopping malls is expected to remain relatively stable in the above-mentioned cities going forward due to the growth in the macro economy and retail market in China.

Prevalent dining out lifestyle. Rapid economic development in China has largely changed people's lifestyle, with an increasing trend of dining-out instead of dining at home. According to the National Bureau of Statistics, the per capita annual disposable income of urban households in China increased from RMB29,400 in 2014 to RMB39,300 in 2018. Chinese residents spent 19.9% of their income on food in 2018, which is quite high compared to developed countries. The upgrading consumption has brought diversified demands including higher food quality, better restaurant atmosphere, better services, social demand and leisure needs, driving the transformation of the entire catering industry, and mid to high-end restaurants will continue to benefit from the trend. Furthermore, an increasing number of young consumers, especially white collars, choose to dine out in the restaurants with shorter dining time.

Development of online social media. Young generations now have strong stickiness to online social media in China. The development of Internet has provided new channels between restaurant operators and consumers. The online social media has made it more convenient for consumers to order food or share comments. Young generation consumers who are willing to dine in characteristic restaurants with unique services, could easily share their experiences online and hence help the restaurants to attract an increasing number of potential customers. In addition, the rapid development of online social media has also created the fan economy of popular restaurants. These popular restaurants have accumulated vast followers on online social media, and thus are able to carry out its marketing on the online social media easily.

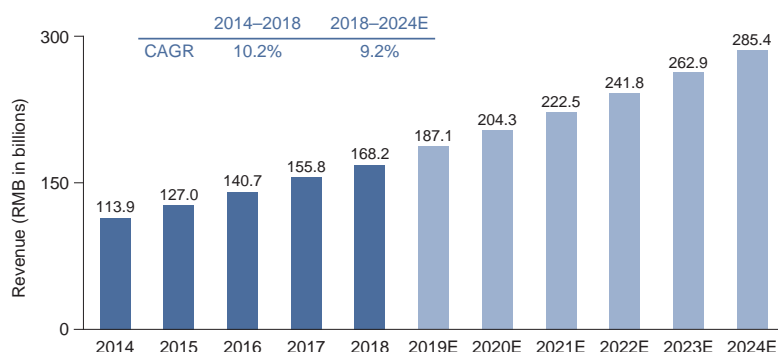
INDUSTRY OVERVIEW

Wider application of new technologies. A wide range of new technologies in relation to catering industry, such as electronic payment, have become more pervasive. The electronic payment and online ordering have made it more convenient and efficient for both customers and restaurants. Hence, the wider application of technologies is likely to drive the market in the future.

NORTHWESTERN CHINESE CUISINE MARKET

Northwestern Chinese cuisines comprise traditional cuisines of five northwestern provinces in China, namely Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang. According to Frost & Sullivan, the revenue of the full-service northwestern Chinese cuisine market increased from RMB113.9 billion in 2014 to RMB168.2 billion in 2018, representing a CAGR of 10.2%, and is expected to reach RMB285.4 billion in 2024, representing a CAGR of 9.2%. The chart below sets forth the trend of revenue of the full-service northwestern Chinese cuisine market in China for the periods indicated.

Revenue of Full-service Northwestern Chinese Cuisine Market (China), 2014 – 2024E



Source: Frost & Sullivan

Note:

Full-service restaurant refers to restaurant providing meals with full table services.

CHINESE SAUERKRAUT FISH RESTAURANT MARKET

Chinese sauerkraut fish, a signature traditional dish, has become increasingly popular throughout China. It has spicy and sour soup of small curls of fish fillet in a broth laden with Sichuan chili pepper and sauerkraut.

In recent years, restaurants focusing on Chinese sauerkraut fish sprang up in China and soon became very popular. The Chinese sauerkraut fish market, as measured by the total revenue of Chinese sauerkraut fish restaurants, has experienced a sharp growth from RMB4.0 billion in 2014 to RMB12.3 billion in 2018, with a CAGR of 32.3%.

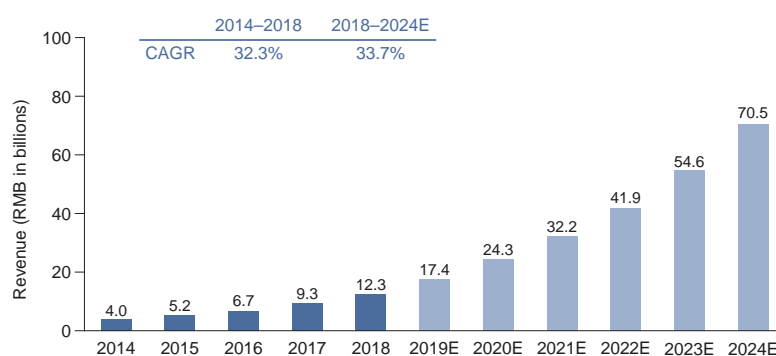
It is expected that Chinese sauerkraut fish will remain popular for the following reasons: (i) being part of the traditional Sichuan cuisine, Chinese sauerkraut fish will take advantage of the high popularity of Sichuan flavor; (ii) being a traditional favourite dish of Chinese

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consumers, it is expected that consumers in China has high acceptance level, and their preference toward sauerkraut fish would not change easily; and (iii) fish is usually considered as healthy animal protein in China, and thus cuisine using fish becomes an increasingly popular dine-out option. Also, brands pioneered to focus on Chinese sauerkraut fish, Tai Er for example, have experienced rapid expansion through chain restaurants, further spread the traditional Chinese sauerkraut fish culture and enhance the popularity of Chinese sauerkraut fish. The revenue of Chinese sauerkraut fish restaurant market is forecasted to grow at a CAGR of 33.7% from 2018 to 2024, reaching RMB70.5 billion in 2024.

The following chart sets forth the revenue of Chinese sauerkraut fish restaurant market in China for the periods indicated.

Revenue of Chinese Sauerkraut Fish Restaurant Market (China), 2014–2024E



Source: Frost & Sullivan

COMPETITIVE LANDSCAPE OF CHINESE CUISINE MARKET IN CHINA, NORTHWESTERN CHINESE CUISINE MARKET AND CHINESE SAUERKRAUT FISH RESTAURANT MARKET

The total revenue of Chinese cuisine market in China is RMB3,416.2 billion in 2018, accounting for approximately 80.0% of China’s catering service market and is expected to reach RMB5,501.8 billion in 2024. Chinese cuisine market in China was relatively fragmented in 2018 with over 4 million restaurants and the top three players in aggregate accounted for 0.8% of the market share. In 2018, our Group achieved a revenue of RMB1.9 billion, with a market share of 0.1% among all Chinese cuisine restaurants in China.

The total revenue of China’s northwestern Chinese cuisine market is RMB168.2 billion in 2018, accounting for approximately 3.9% of China’s catering service market. In China’s northwestern Chinese cuisine market, there are around 30,000 northwestern Chinese cuisine restaurants, and approximately over 90% of them are non-chain restaurants. China’s northwestern Chinese cuisine market is quite fragmented. In 2018, the Group’s leading brand Jiu Mao Jiu achieved a revenue of RMB1.3 billion, ranking second as measured by revenue with a market share of 0.8% among all northwestern Chinese cuisine restaurants in China. The table below sets forth market shares of the top three companies serving northwestern Chinese cuisine for the year ended December 31, 2018.

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Ranking of Top Three Northwestern Chinese Cuisine Restaurants by Revenue (China), 2018

Rank	Company	Description of the Company	Total Revenue (RMB in billions)	Market Share (%)
1	Company A	A non-listed company established in 1988, headquartered in Beijing, China, and primarily focusing on northwestern Chinese cuisine	5.3	3.2
2	Jiu Mao Jiu	See “Business” for more details	1.3	0.8
3	Company B	A non-listed company established in 1998, headquartered in Suzhou, Jiangsu province, China, and primarily focusing on northwestern Chinese cuisine	0.7	0.4
	Top 3 Subtotal	—	7.3	4.3
	Others	—	160.9	95.7
	Total	—	<u>168.2</u>	<u>100.0</u>

Source: Frost & Sullivan

According to Frost & Sullivan, the total revenue of China’s sauerkraut fish restaurant market reached RMB12.3 billion in 2018, accounting for 0.3% of China’s catering service market. China’s sauerkraut fish restaurant market is relatively fragmented with over 1,000 restaurant operators. In 2018, Tai Er achieved a revenue of RMB540.2 million, ranking first with a market share of 4.4% among all sauerkraut fish restaurants in China. Moreover, on 2019 China Catering Service Marketing Power Summit (2019中國餐飲營銷力峰會), Tai Er ranked first on the “2019 Top Ten Sauerkraut Fish Restaurants in China (2019中國酸菜魚十大品牌榜)”. All Tai Er restaurants are self-operated while the other two of the top three market players also adopt the franchise model to operate their restaurants. Comparing with other market players which mainly adopt the franchise model, Tai Er has stronger management and control over the operation of the restaurants, which allows Tai Er to ensure the consistency of food quality, taste and services among all of its restaurants. The table below sets forth the total revenue of top three sauerkraut fish brands, their respective number of restaurant and the market shares as of and for the year ended December 31, 2018.

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Ranking of Top Three Sauerkraut Fish Restaurants by Restaurant Number and Revenue (China), 2018

Rank	Company	Description of the Company	Number of restaurant	Total Revenue (RMB in millions)	Market Share (%)
1	Tai Er	See "Business" for more details	65	540.2	4.4
2	Company C	A non-listed company established in 2015, headquartered in Suzhou, Jiangsu province, China, and primarily focusing on sauerkraut fish cuisine	~ 100	473.8	3.9
3	Company D	A non-listed company established in 2010, headquartered in Chongqing, China, and primarily focusing on sauerkraut fish cuisine	~ 80	363.4	3.0
	Top 3 Subtotal	—		1,377.4	11.2
	Others	—		10,922.6	88.8
	Total	—		12,300.0	100.0

Source: Frost & Sullivan

Among the above top three sauerkraut fish restaurant brands, Tai Er is only under self-operation model while the other two are under both self-operation and franchise models. The total revenues of Company C and Company D reflect revenues from both of their self-operated and franchised restaurants.

Our Group, through its leading brands, Jiu Mao Jiu and Tai Er, has been able to achieve industry-leading operational performance under excellent quality control and standardization framework. We use high quality ingredients in the food preparation processes, select key ingredients from suppliers with good reputation and utilize central kitchen systems to ensure food safety and quality, as well as the consistency of appearance, smell, taste and vision of dishes to be served at each of our restaurant. Furthermore, through our operating history of more than two decades, our Group has accumulated a pool of experienced staff to serve as the vanguard for penetration into new markets. Last but not least, our Group has strong preference for shopping malls at top commercial districts in a city with convenient transportation, strong people flow and high exposure.

CHINESE CUISINE MARKET IN CHINA: KEY SUCCESS FACTORS, ENTRY BARRIERS AND CHALLENGES

Industry consolidation and market concentration. Leading players with well established supply chain, higher level of standardization and stronger capital support are showing higher competitive strengths and gaining greater market shares. In 2018, the top 100 players together gained a revenue of RMB241.0 billion, 12.2% higher than that of 2017. This surpassed the overall growth rate of the industry, indicating strong competitive power of the leading chain restaurants companies, increasing entry barriers and greater market concentration.

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Expansion of chain restaurants. The expansion of chain restaurants network will increase brand exposure, enlarge business scale and target greater customer base. Meanwhile, central kitchens contribute to the standardization of food supply and operational management during the expansion process. Large quantities of semi-finished dishes are produced to ensure the final product quality and seat turnover rate, meeting consumer expectations and improving operational efficiency.

Brand recognition, reputation, and influence of social media. Social media, online reviews and crowd sourced review platforms have increasingly crucial influence on customers dining choices and will have a significant influence on the restaurant branding and interaction experience of consumers. Therefore, growing Chinese cuisine market participants are focusing on building loyal fan bases on social media to increase consumption frequency and customer stickiness. Social media also helps restaurants to understand their customers better and explore multi-channel development, such as the selling of peripheral products.

Food safety, quality and nutrition. The awareness on food safety has increased in recent years. It is expected that consumers will increasingly value high-quality food ingredients, and nutritious and healthy dining options. Restaurants are expected to provide more new healthier dishes to meet the demand of consumers.

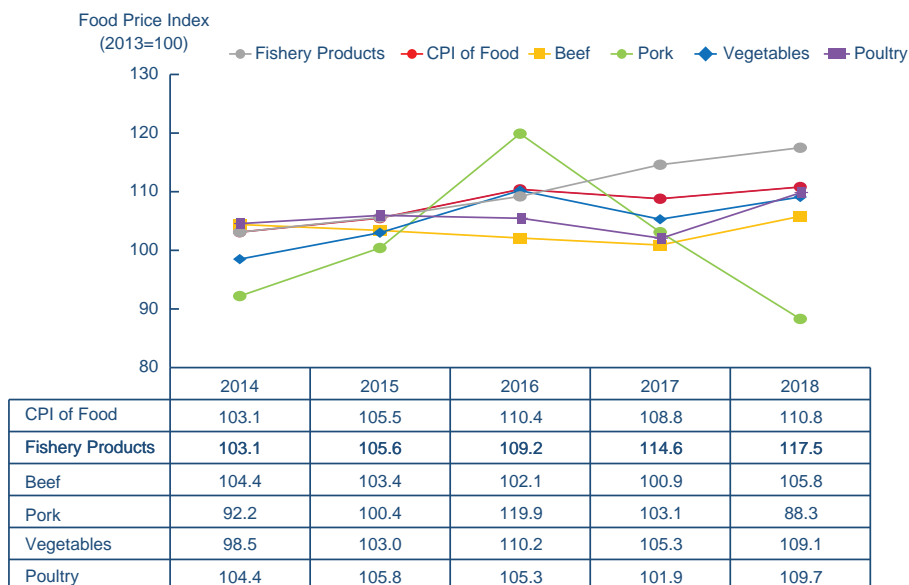
Rising labor costs and high employee turnover. Human resource is very important in the catering industry. With rapid economic growth in China, the labor cost has also increased. Thus, the rising labor cost and the difficulty to retain both service personnel and mid-to-high level management personnel are likely to be challenges to the catering industry.

MARKET PRICE TRENDS FOR MAJOR FOOD INGREDIENTS

The major food ingredients used in our restaurants include fishery products, beef, pork, poultry and vegetables. The price volatilities of such food ingredients are subject to factors such as domestic supply and demand, seasonality, weather conditions and natural disasters. Generally, the 2013 based consumer price index (the “CPI”) (CPI, year of 2013 = 100) of food continued to increase from 103.1 in 2014 to 110.8 in 2018, except that it slightly dropped by 1.6 in 2017 compared with 2016. The drop was primarily due to the sharp decrease of the price of pork caused by the changing consumption structure of meat as well as more supply than demand. The following chart sets forth the year on year CPI changes (in general and by the key raw materials) in China from 2014 to 2018.

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Food Price Index of Raw Food Material (China), 2014–2018



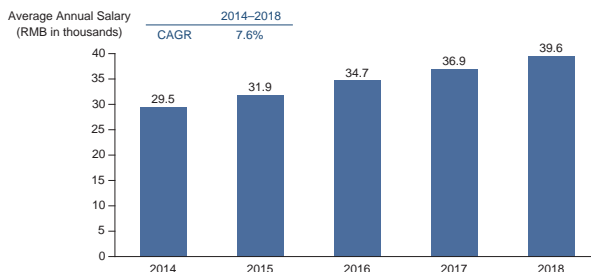
Note: The price indexes of beef, pork, vegetables, fishery products and poultry refer to the price indexes of agricultural production.

Source: Ministry of Agriculture, Frost & Sullivan

RISING LABOR COSTS OF CATERING INDUSTRY

The annual income of employees in the catering industry in China has increased steadily from 2014 to 2018 in line with the rapid growth of China's macro economy. Labor cost is expected to keep the growing trend in the coming five years due to the developing macro economy, growing disposable income and CPI, as well as the inflation. The chart below sets forth the trend of labor cost of catering industry in China for the periods indicated.

Labor Cost of Catering Industry (China), 2014–2018



Source: National Bureau of Statistics, Frost & Sullivan

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SOURCE OF INFORMATION

In connection with the Global Offering, we have engaged Frost & Sullivan, an independent third party, to conduct a study of the catering and Chinese cuisine 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 RMB550,000 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 prospectus because we believe such information facilitates an understanding of China's catering service market 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 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 proven track records in providing market research studies to government and private clients in the regions where 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; and (iii) market drivers like the increasing number of shopping malls, development of social media and growing dining out lifestyle are likely to drive the catering service market.

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REGULATIONS ON FOREIGN INVESTMENT IN FOOD SERVICE INDUSTRY

According to the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) jointly issued by the National Development and Reform Commission of the PRC (the “**NDRC**”) and the Ministry of Commerce of the PRC (the “**MOFCOM**”) on 28 June 2017, the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單) (2018年版)》) issued on 28 June 2018 and the Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Edition) (《外商投資准入特別管理措施(負面清單) (2019年版)》) (the “**Negative List**”) issued on June 30 2019, consumer food and beverage services and general food production and sales shall fall in the industries where foreign investment is permitted.

The Foreign Investment Law of the PRC (the “**Foreign Investment Law**”, 《中華人民共和國外商投資法》) was adopted by the National People’s Congress of the PRC on March 15, 2019, which shall come into force as of January 1, 2020. Under the Foreign Investment Law, the State shall implement the management systems of pre-entry national treatment and a negative list for foreign investment, and shall give national treatment to foreign investment beyond the Negative List.

LAW AND REGULATIONS ON FOOD SAFETY AND LICENSING REQUIREMENT FOR CONSUMER FOOD SERVICES

Before June 1, 2009, the provision of consumer food service in the PRC was subject to the Food Hygiene Law of the PRC (the “**Food Hygiene Law**”, 《中華人民共和國食品衛生法》), which was promulgated on October 30, 1995 by the Standing Committee of the National People’s Congress (the “**SCNPC**”) and came into force on the same date. Pursuant to the Food Hygiene Law, any entity or individual engaged in the provision of consumer food and beverage services shall obtain in advance a food hygiene license issued by the competent health administration authority. No consumer food services shall be provided without a duly-obtained food hygiene license.

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 amended on April 24, 2015 and December 29, 2018, the State implements a licensing system for the food production and trading. A person who engages in food production, food selling or catering services shall obtain the license in accordance with the law.

The Implementation Rules of the Food Safety Law (the “**Implementation Rules**”, 《中華人民共和國食品安全法實施條例》), which further specify the detailed measures to be taken and conformed to by food producers and business operators in order to ensure food safety, were promulgated on July 20, 2009 and came into effect on the same date, and were amended on February 6, 2016 and March 26, 2019 (the “**Revised Implementation Rules**”), respectively. The Revised Implementation Rules, which came into effect on December 1, 2019, introduce extra regulatory measures such as random supervisory checks, improve the food safety violation reporting reward system, and establish a blacklist system for food producers and business operators with serious food safety violations and a joint punishment mechanism against discreditable acts. The Revised Implementation Rules ascertain the primary responsibility of food producers and operators for food safety, detail the responsibilities of principals of enterprises, standardize the food storage and transportation

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requirements, forbid false publicity of food, and optimize the administrative system for special food. The Implementation Rules also provide for strict legal liabilities for violating food safety-related laws and regulations.

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

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

The Food Safety Law sets out, as penalties for violation, various legal liabilities in the form of warnings, orders to rectify, confiscations of illegal gains, confiscations of utensils, equipment, raw materials and other articles used for illegal production and operation, fines, recalls and destructions of food in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation license, and even criminal punishment. Any restaurant which does not have the food service license may be subject to confiscation of gains and other restaurant assets, or fines ranging from RMB50,000 to 20 times the value of food sold at the restaurant.

On March 4, 2010, the Ministry of Health promulgated the Administrative Measures on Food and Beverage Service Licensing (the “**Measures on Food and Beverage Service Licensing**” 《餐飲服務許可管理辦法》) and Administrative Measures on Food Safety Supervision in Food and Beverage Services (the “**Measures on Food Safety Supervision**” 《餐飲服務食品安全監督管理辦法》). Pursuant to the Measures on Food and Beverage Service Licensing, the local food and drug administrations at various levels are responsible for the administration of food and beverage service licensing. Catering service providers are required to obtain a food service license and are responsible for safety in catering services in accordance with the law. A service provider providing catering services at different locations or venues must obtain separate food service licenses for each venue. In the event of any change in the operation locations, a new application for food service license is required.

On August 31, 2015, China Food and Drug Administration 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 Administrative Measures for Food Operation Licensing, a food operation license shall be obtained in accordance with the law to engage in food selling and catering services within the territory of the People’s Republic of China. The principle of one license for one site shall apply to the licensing for food operation,

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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 operation according to food operators' types of operation and the degree of risk of their operation projects.

The issuance date of a food operation license is the date when the decision on granting the license is made, and the license is valid for five years. Food operators shall hang or place their food operation license originals in prominent places of their operation sites. Where the licensing items which are indicated on a food operation license change, the food operator shall, within ten working days after the changes take place, apply to the food and drug administrative authority which originally issued the license for alteration of the operation license. Where food operators need to extend the validity period of their lawfully obtained food operation license, they shall file applications with the food and drug administrative authorities which originally issued the license 30 working days before its expiry. Those who fail to obtain a food operation license and engage in food operation activities shall be punished by the local food and drug administrative authorities at or above the county level according to Article 122 of the Food Safety Law. Where food operators fail to hang or place their food operation license in a prominent place of their operation sites in violation of Paragraph 2 of Article 26, the food and drug administrative authorities at or above the county level shall order such food operators to make corrections; where such food operators refuse to make corrections, a warning shall be issued. Where licensing matters indicated in a food operation license change, and the food operator fails to apply for the alteration of the operation license as prescribed in violation of Paragraph 1 of Article 27, the food and drug administrative authority which originally issued the license shall order such food operator to make corrections, and issue a warning; where such food operator refuses to make corrections, a fine of between RMB2,000 and RMB10,000 shall be imposed.

Pursuant to Measures for the Supervision and Administration of the Safety of Food Offered through Online Catering Services (《網絡餐飲服務食品安全監督管理辦法》) effective on January 1, 2018, Online catering service providers shall have their own physical stores and have obtained the 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 they shall not do business beyond the business scope. A catering service provider that runs its own website shall file the record with the food and drug administration at the county level at its locality, within 30 working days after it has filed for record with the competent authority of communications.

REGULATIONS ON THE SANITATION OF THE PUBLIC ASSEMBLY VENUE

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

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

REGULATIONS ON LIQUOR CIRCULATION

In accordance with Measures for the Administration of Liquor Circulation (《酒類流通管理辦法》) effective on January 1, 2006, which was issued by the Ministry of Commerce, a system of archival filing of operators as well as a traceability system shall be established for liquor circulation. Any entity or individual engaged in the wholesale or retail of liquor (herein after referred to in general as “**liquor operator**”) shall, within 60 days of acquiring a business license, make the archival filing and registration formalities in the competent department of commerce at the same level as the administrative department for industry and commerce where the registration is handled according to the principle of territorial administration. The liquor operator shall, when purchasing any liquor, claim the duplicates of the business license, sanitation license, production license (limited to producers), registration form, power of attorney of liquor distribution (limited to producers) of a supplier that supplies goods for the first time. The liquor operator shall establish an account for purchase and sales in the liquor business operation which he or she shall keep for 3 years. The competent departments of commerce may impose a fine up to RMB5,000 on any violation of the aforementioned rules. However, it was abolished by Ministry of Commerce on November 13, 2016.

The Guidance of Ministry of Commerce on promoting healthy development of liquor circulation in the “13th Five-Year” period (《商務部關於“十三五”時期促進酒類流通健康發展的指導意見》), which was promulgated by Ministry of Commerce on February 13, 2017, stipulates to eliminate the regional blockade of alcohol, to clean up and abolish the relevant regulations and practices that hinder the free circulation of alcohol, and to promote the formation of a large market and the pattern of development of large circulation of alcohol.

REGULATIONS ON FIRE PREVENTION

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) promulgated by the National People’s Congress (the “**NPC**”) on 29 April 1998 and amended on 28 October 2008, and the Provisions on Supervision and Administration of Fire Protection of Construction Projects (《建設工程消防監督管理規定》) promulgated by the Ministry of Public Security on 30 April 2009 and amended on 17 July 2012, for a construction project which needs a fire prevention design under the national fire protection technical standards, the construction unit must submit the fire prevention design documents for approval or filing purposes, and upon completion of such construction project, the construction unit shall apply for fire protection acceptance or conduct fire protection filing for fire protection design and completion acceptance as the case may be. Furthermore, public gathering places shall pass a fire prevention safety inspection conducted by the local relevant fire-fighting department before the commencement of business operations. The Fire Prevention Law of the PRC was amended on 23 April 2019, and subject to the revised law, with respect to the construction projects that are required by the competent department of housing and urban-rural development under the State Council to apply for acceptance checks for fire protection, the construction unit shall apply to the competent department of housing and urban-rural

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development under the State Council for acceptance checks for fire protection. With respect to other construction projects apart from those mentioned above, the construction unit shall, after an acceptance check, report its results to the competent department of housing and urban-rural development for the record, and such department shall conduct a random inspection thereof. For public assembly venue, the construction entity or entity using such venue shall apply for a safety inspection on fire prevention with the fire rescue agencies of the local people's governments at or above the county level where the venue is located.

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 license 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.

LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

Environmental Protection Law

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

According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts take charge of administering and supervising said environmental protection matters. According to the provisions of the Environmental Protection Law, the environmental impact statement on any such construction project must assess the pollution that the project is likely to produce and its impact on the environment, and stipulate preventive and curative measures; the statement shall be submitted to the competent administrative department of environmental protection for approval. 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.

Permission to commence production at or utilize any construction project shall not be granted until its installations for the prevention and control of pollution have been examined and confirmed to meet applicable standards by the appropriate administrative department of environmental protection that examined and approved the environmental impact statement. Installations for the prevention and control of pollution shall not be dismantled or left idle without authorization. Where it is absolutely necessary to dismantle any such installation or leave it idle, prior approval shall be obtained from the competent local administrative department of environmental protection.

The Environmental Protection Law makes it clear that the legal liabilities of any violation of said law include warning, fine, rectification within a time limit, compulsory cease operation, compulsory reinstallation of dismantled installations of the prevention and control of pollution or compulsory reinstallation of those left idle, compulsory shutout or closedown, or even criminal punishment.

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Law on Environment Impact Assessment

Pursuant to Law of the People's Republic of China on Environment Impact Assessment (《中華人民共和國環境影響評價法》), which was issued on October 28, 2012 and amended on July 2, 2016 and December 29, 2018, the State implements a classification-based management on the environmental impact assessment (“EIA”) of construction projects according to the impact of the construction projects on the environment. Construction units shall prepare Environmental Impact Report (“EIR”) or Environmental Impact Statement (“EIS”) or fill out the Environmental Impact Registration Form (“EIRF”) (hereinafter collectively referred to as the “EIA documents”) according to the following rules:

1. For projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts;
2. For projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of their environmental impacts; and
3. For projects with very small environmental impacts so that an EIA is not required, an Environmental Impact Registration Form shall be filled out.

The EIR or EIS of a construction project shall be submitted by the construction unit in accordance with the regulations of the State Council to the ecological environment department with powers to approve the project for review and approval. The State shall implement a record-filing-based management on EIRF.

Law on the Environmental Protection of Construction Projects

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

A construction unit shall be punished in accordance with the Law of the People's Republic of China on Environmental Impact Assessment if it: 1. commences construction before submitting the environmental impact report or environmental impact statement of the construction project for approval or re-examination in accordance with the law; 2. commences construction without authorization before the environmental impact report or environmental impact statement of the construction projects is approved or approved after re-examination; or 3. fails to file the environmental impact registration form of the construction project for record in accordance with the law.

Law on Prevention and Control of Water Pollution

The Law on Prevention and Control of Water Pollution of the PRC (the “**Water Pollution Prevention and Control Law**”, 《中華人民共和國水污染防治法》) first came into effect as of November 1, 1984 and was subsequently amended on May 15, 1996, February 28, 2008, and June 27, 2017, respectively. The law applies to the prevention and control of pollution of

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rivers, lakes, canals, irrigation channels, reservoirs and other surface water bodies and groundwater within the PRC. According to the provisions of the Water Pollution Prevention and Control Law and other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts at or above county level shall take charge of the administration and supervision on the matters of prevention and control of water pollution.

Enterprises that engage in the activities of industry, construction, catering, and medical treatment, etc. that discharges sewage into urban drainage facilities shall apply to the relevant competent urban drainage department for collecting the permit for discharging sewage into drainage pipelines under relevant laws and regulations, including the Regulations on Urban Drainage and Sewage Disposal (《城鎮排水與污水處理條例》), which was promulgated on October 2, 2013 and came into force on January 1, 2014, and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (《城鎮污水排入排水管網許可管理辦法》), which was promulgated on January 22, 2015 and came into force on March 1, 2015.

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

LAWS AND REGULATIONS ON LABOR AND PRODUCTION SAFETY

Labor Contract Law

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

Production Safety Law

Pursuant to the Law on Work Safety of the PRC (《中華人民共和國安全生產法》) (Order No. 70 of the PRC President, effective on November 1, 2002 and amended on August 27, 2009 and August 31, 2014 respectively), enterprises engaged in production activities must strengthen safety production management, establish and improve the responsibility system for safe production and ensure a safe production environment. The State establishes and implements a system for the accountability of production safety accidents. If the company

REGULATORY OVERVIEW

fails to comply with the provisions of the Law on Work Safety, the supervisory authority on production safety may issue a rectification order, impose a fine, order the company to cease production and operation, or revoke the relevant permit.

Regulations on Social Insurance and Housing Fund

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

LAW ON INTELLECTUAL PROPERTY RIGHTS

Trademarks

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) which was adopted in 1982 and subsequently amended in 1993, 2001, 2013 and 2019, respectively, as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted in 2002 and amended in 2014 by the State Council. The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. Trademark license agreements must be filed with the Trademark Office for record. The PRC Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

Domain Names

In September 2002, the China Internet Network Information Center (“**CNNIC**”) issued the Implementing Rules for Domain Name Registration (《域名註冊實施細則》) setting forth detailed rules for registration of domain names. On November 5, 2004, the MIIT promulgated the Measures for Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》), which was repealed by Measures for the Administration of Internet Domain Names (《互聯網絡域名管理辦法》) (the “**Domain Name Measures**”) on November 1, 2017. The Domain Name Measures regulate the registration of domain names, such as the first-tier domain name “.cn”. Pursuant to the Measures on Domain Name Dispute Resolution (《中國互聯網絡信息中心域名爭議解決辦法》), which was issued by the

REGULATORY OVERVIEW

CNNIC in February 2006 and subsequently amended in 2007, 2012 and 2014, domain name disputes shall be accepted and resolved by the dispute resolution service providers as accredited by the CNNIC.

The Copyright Law

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

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

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

REGULATIONS ON COMMERCIAL FRANCHISE

The Regulations on Administration of Commercial Franchise (《商業特許經營管理條例》), which was promulgated on February 6, 2007 and implemented on May 1, 2007, aims to regulate commercial franchise activities by specifying the main contents of commercial franchise contracts and the obligations of franchisors in filing with commerce administrative authorities and information disclosure. Pursuant to the Administrative Measures for the Filing of Commercial Franchise (《商業特許經營備案管理辦法》), which was amended on December 12, 2011 and implemented on February 1, 2012, MOFCOM and the commerce administrative authorities at level of provinces, autonomous regions and municipal cities directly under the state council are the competent authorities for filing commercial franchise. Commercial franchise is filed on a national network basis. Franchisors complying with the provisions of the

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Administrative Measures for the Filing of Commercial Franchise shall proceed with filing through the commercial franchise information management system established by the MOFCOM in accordance with the measures. The Administrative Measures for Information Disclosure of Commercial Franchise (《商業特許經營信息披露管理辦法》), which was amended on February 23, 2012 and implemented on April 1, 2012, further clarifies the scope of information disclosure by franchisors.

REGULATIONS ON FOREIGN EXCHANGE

Pursuant to the Foreign Exchange Administration Regulations (《外匯管理條例》), as amended in August 2008, the RMB 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 the PRC, unless prior approval of the State Administration of Foreign Exchange (“SAFE”) is obtained and prior registration with SAFE is made. The Circular of the SAFE on Printing and distributing the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors and Relevant 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》) was promulgated in May 2013 and amended in October 2018 respectively, which provides for and simplifies the operational steps and regulations on foreign exchange matters related to direct investment by foreign investors, including foreign exchange registration, account opening and use, receipt and payment of funds, and settlement and sales of foreign exchange.

Pursuant to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (the “SAFE Circular No. 37” 《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》), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident (“PRC Resident”) shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“Overseas SPV”), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (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 the Overseas SPV’s PRC Resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV’s registered capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (the “Circular 13” 《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated on February 13, 2015 and with effect from June 1, 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment is directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

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The Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (the “**Circular 28**” 《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》) was promulgated and became effective on October 23, 2019. According to the Circular 28, non-investment foreign-funded enterprises are allowed to lawfully make domestic equity investments using their capital if the domestic investment projects are in compliance with the prevailing special administrative measures for access of foreign investments and relevant regulations.

TAXES

Corporate Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) Law, which was promulgated on March 16, 2007 and last amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which was promulgated on December 6, 2007 and further amended on April 23, 2019, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country (region) but with its actual administration institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but there is an actual relationship with the institutions or establishments set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC at the rate of 20%.

Value-added Tax

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

REGULATORY OVERVIEW

Pursuant to 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 come to effect on May 1, 2018, by Ministry of Finance and State Administration of Taxation, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》), promulgated by Ministry of Finance, the State Administration of Taxation and General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, the previous applicable VAT rate of 16% and 10% are adjusted to 13% and 9% respectively.

REGULATION ON E-COMMERCE ACTIVITIES

On August 31, 2018, the SCNPC promulgated the E-Commerce Law of the PRC (the “**E-Commerce Law**”, 《中華人民共和國電子商務法》), which became effective on January 1, 2019. Business activities conducted online to sell commodities or offer services shall be governed by the E-Commerce Law. Pursuant to the E-Commerce Law, e-commerce operators refer to natural persons, legal persons and unincorporated organizations that engage in business activities of selling commodities or offering services through the internet and other information networks, including e-commerce platform operators, intra-platform business operators, and other e-commerce operators that sell commodities or offer services through a self-built website or other network services.

E-commerce operators shall fulfill market entity registration (unless no such registration is required by laws and administrative regulations) and obtain the relevant administrative licenses for conducting those operational activities which are required by law to obtain administrative licenses. Commodities sold or services offered by e-commerce operators shall meet the requirements to safeguard personal and property safety and the environmental protection requirements, and e-commerce operators shall not sell or provide any commodity or service prohibited by laws and administrative regulations. E-commerce operators shall fulfill the tax payment obligation and issue purchase vouchers or service receipts such as invoices when selling commodities or providing services. An e-commerce operator shall also (including without limitation): (i) continuously display its business license information or relevant information which indicates that it does not need to fulfill market entity registration and administrative license information relating to its business operation (if any) in a prominent position on its homepage; (ii) disclose information about commodities or services in a comprehensive, truthful, accurate and timely manner so as to safeguard consumers’ right to know and right of choice; (iii) deliver commodities or services according to its commitment or the ways and time limits as agreed upon with consumers, and bear the risks and responsibilities when commodities are in transit; and (iv) bring the tie-in sales of commodities or services to consumers’ attention in a significant manner and shall not set tie-in commodities or services as default options. Where an e-commerce operator ceases to engage in e-commerce business, it shall continuously announce relevant information in a prominent position on its homepage 30 days in advance.

OVERVIEW

Our Company acts as the holding company of our Group and was incorporated in the Cayman Islands as an exempted company with limited liability on February 1, 2019. Our history can be traced back to 1995 when our founder, Mr. Guan, started his first noodle restaurant in Haikou, Hainan. We started to operate restaurants under Jiu Mao Jiu in 2005 and expanded our brand portfolio by launching several new brands starting from 2015. Since then, we have gradually grown into a leading Chinese cuisine restaurant brand manager and operator in China.

BUSINESS DEVELOPMENT

The Establishment of Guangzhou Jiumaojiu and the Development of Jiu Mao Jiu

In 2003, Mr. Guan determined to enter into the catering service market in Guangdong, and opened his first restaurant under Traditional Shanxi Noodles (山西老麵館) brand in Guangzhou.

Our primary operating subsidiary, Guangzhou Jiumaojiu, was established on August 30, 2005 in the PRC. In the same year, we adopted the “Jiu Mao Jiu” brand name to replace the original Traditional Shanxi Noodles (山西老麵館) brand for all our then existing restaurants. In 2010, we transformed from a traditional catering enterprise to a chain Chinese cuisine restaurant operator as we initiated our first series of Jiu Mao Jiu restaurants in shopping malls, with the Southern China market as the starting point. We have been focusing on shopping malls when we select locations for new restaurants since then. Due to the increase in the number of shopping malls and the increasing popularity of the dining out lifestyle, we took a giant leap in our restaurant operations under Jiu Mao Jiu. Since 2012, we have expanded our restaurant network into other regions in China.

The Implementation of Our Multi-brand and Multi-concept Strategy

Based on the experience and knowledge accumulated during the operation of Jiu Mao Jiu, in 2015, we adopted our multi-brand and multi-concept strategy to attract different groups of customers and have gradually grown into a leading Chinese cuisine restaurant brand manager and operator. In addition to Jiu Mao Jiu, we also operate and manage four self-developed brands, namely Tai Er, Double Eggs, Cooking Spicy Kebab and Uncle Chef, and have expanded the total number of our restaurants to 328, including 287 self-operated restaurants and 41 franchised Double Eggs restaurants as of the Latest Practicable Date.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Milestones

The following table sets forth the key milestones in our history:

Year	Event
1995	<ul style="list-style-type: none">● Mr. Guan started his first noodle restaurant in Haikou, Hainan.
2003	<ul style="list-style-type: none">● Mr. Guan expanded his noodle restaurant business to Guangzhou, Guangdong.
2005	<ul style="list-style-type: none">● Guangzhou Jiumaojiu was established as our primary operating subsidiary, and we started to operate our Jiu Mao Jiu restaurants.
2010	<ul style="list-style-type: none">● We initiated our first series of restaurants located in shopping malls.
2012	<ul style="list-style-type: none">● We expanded our restaurant network to Beijing and Shenzhen.
2013	<ul style="list-style-type: none">● The 50th Jiu Mao Jiu restaurant was opened in August.● We expanded our restaurant network to Tianjin.
2014	<ul style="list-style-type: none">● We expanded our restaurant network to Wuhan.
2015	<ul style="list-style-type: none">● We expanded our restaurant network to Nanjing.● The 100th Jiu Mao Jiu restaurant was opened.● We started to operate our Tai Er restaurants.
2017	<ul style="list-style-type: none">● We opened our first Double Eggs restaurant.● We were accredited as one of the “2017 China Catering Brand Power Top 100 Brands” (“2017年度中國餐飲品牌力百強品牌”).
2018	<ul style="list-style-type: none">● We started the use of the franchise business model for Double Eggs.● We were accredited as one of the “2018 China Catering Brand Power Top 100 Brands” (“2018年度中國餐飲品牌力百強品牌”).
2019	<ul style="list-style-type: none">● We opened our first Cooking Spicy Kebab restaurant and Uncle Chef restaurant.● We were accredited as one of the “2018 China Top 100 Catering Enterprises” (“2018年度中國餐飲百強企業”).● The number of our Tai Er restaurants reached 100.

OUR GROUP

Guangzhou Jiumaojiu

Early Development

On August 30, 2005, Guangzhou Jiumaojiu, our primary PRC operating subsidiary, was established by Mr. Guan, Di Kai, Li Yongwan, and Hu Jinghua who held 88%, 5%, 5% and 2% equity interest in Guangzhou Jiumaojiu, respectively, upon its establishment. Di Kai, Li Yongwan, and Hu Jinghua confirmed that they acted as nominee shareholders of Mr. Guan who beneficially owned 100% equity interest in Guangzhou Jiumaojiu in order to facilitate the incorporation. The nominee shareholders were subsequently changed and Mr. Guan had transferred additional equity interest in Guangzhou Jiumaojiu to the then nominee shareholders due to his personal planning. All nominee shareholders were our employees at the time they held the equity interest in Guangzhou Jiumaojiu on behalf of Mr. Guan. Our PRC Legal Advisor confirmed that the nominee arrangements among Mr. Guan and the nominee shareholders did not violate any relevant compulsory PRC laws and regulations.

Early Shareholding Changes of Guangzhou Jiumaojiu

As of November 11, 2012, Mr. Guan beneficially owned 100% equity interest in Guangzhou Jiumaojiu. On November 12, 2012, Mr. Guan transferred 5.23%, 2.91%, 1.43%, 1.01%, 1.00%, 0.22% and 0.07% beneficial interest in Guangzhou Jiumaojiu to Zheng Rushi, Chen Haixia, Zhang Zailin, Fu Peihong, Yan Zhiwen, Yang Xingshun and Shangguan Jianping, employees of the Group at the time, at considerations of RMB52,300, RMB29,100, RMB14,300, RMB10,100, RMB10,000, RMB2,200 and RMB700, based on the then registered capital of Guangzhou Jiumaojiu, respectively, as share incentive, which were settled on November 12, 2012. Upon completion of these equity transfers, Guangzhou Jiumaojiu was beneficially owned by Mr. Guan (as to 88.13%), Zheng Rushi (as to 5.23%), Chen Haixia (as to 2.91%), Zhang Zailin (as to 1.43%), Fu Peihong (as to 1.01%), Yan Zhiwen (as to 1.00%), Yang Xingshun (as to 0.22%) and Shangguan Jianping (as to 0.07%).

On September 16, 2013, Mr. Guan transferred 78.06% equity interest in Guangzhou Jiumaojiu to Lhasa Qiaozhanggui, an intermediate holding company which was owned as to 99.50% by Mr. Guan and as to 0.50% by a former employee, Luo Xiaojun, at a consideration of RMB780,600 as determined with reference to the then registered capital of Guangzhou Jiumaojiu, which was settled on September 16, 2013.

On September 16, 2013, Mr. Guan transferred 0.22% equity interest in Guangzhou Jiumaojiu to Zheng Li, an independent third party, at a consideration of RMB200,000 as determined after arm's length negotiations between the parties, which was settled on September 16, 2013. Zheng Li was an executive director of Shenzhen Cheng Zhi Heng Xin Investment Co., Ltd. (深圳市誠智恆信投資有限公司), a company principally engaged in investment and consulting businesses, from 2011 to present. Mr. Guan became acquainted with Zheng Li through a mutual acquaintance. Zheng Li advised Mr. Guan on our development strategy and self-funded her investment in Guangzhou Jiumaojiu with a view to benefiting from our future growth. The cost per share of Zheng Li's investment was HK\$0.11 per share, representing a 98.1% discount to the mid-point of the indicative Offer Price range. Guangzhou Jiumaojiu's valuation at the time of Zheng Li's investment amounted to approximately RMB0.9 million.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On September 16, 2013, Lhasa Maituan, Guangzhou Jiumaojiu's employee shareholding platform established on May 7, 2013, acquired 7.075%, 2.615% and 0.07% equity interest in Guangzhou Jiumaojiu beneficially owned by Mr. Guan, Zheng Rushi and Shangguan Jianping at considerations of RMB707,500, RMB261,500 and RMB7,000, respectively, as determined after arm's length negotiations between the parties, which was settled on September 16, 2013.

Upon completion of these equity transfers, Guangzhou Jiumaojiu was beneficially owned by Lhasa Qiaozhanggui (as to 78.06%), Lhasa Maituan (as to 9.76%), Chen Haixia (as to 2.91%), Mr. Guan (as to 2.775%, held by his nominee), Zheng Rushi (as to 2.615%), Zhang Zailin (as to 1.43%), Fu Peihong (as to 1.01%), Yan Zhiwen (as to 1.00%), Zheng Li (as to 0.22%) and Yang Xingshun (as to 0.22%).

On March 20, 2014, Mr. Guan transferred 0.57% beneficial interest in Guangzhou Jiumaojiu to Luo Xiaojun as share incentive at a consideration of RMB130,000 as determined after arm's length negotiations between the parties, which was settled on March 20, 2014.

On June 6, 2014, Guangzhou Maixuan, the other employee shareholding platform of Guangzhou Jiumaojiu established on the same day, acquired 2.1237%, 0.0724% and 2.8339% equity interest in Guangzhou Jiumaojiu beneficially owned by Mr. Guan, Chen Haixia and Lhasa Qiaozhanggui at considerations of RMB21,237, RMB724 and RMB28,339, based on the then registered capital of Guangzhou Jiumaojiu, respectively, as share incentive, which were settled on June 6, 2014. Guangzhou Maixuan was established as the employee shareholding platform through which Mr. Guan might grant restricted stock units ("**RSUs**") to qualified directors and employees of Guangzhou Jiumaojiu and its subsidiaries ("**RSU grantees**") pursuant to a restricted stock units scheme approved and adopted by the board of directors of Guangzhou Jiumaojiu on December 3, 2014 (the "**Old RSU Scheme**"). Other than Chen Haixia, an employee of us who acted as the general partner of Guangzhou Maixuan to facilitate its establishment, and Mr. Guan, all the other shareholders of Guangzhou Maixuan were RSU grantees and received their interests in Guangzhou Maixuan as RSUs. For the principal terms of the restricted stock units scheme approved and adopted by the board of Directors to govern the Old RSU Scheme, see "Statutory and General Information — D. Share Incentive Schemes — Restricted Stock Unit Scheme" in Appendix IV.

On the same day, Mr. Guan transferred 0.0813% beneficial interest in Guangzhou Jiumaojiu to Yan Zhiwen as share incentive at a consideration of RMB813 based on the then registered capital of Guangzhou Jiumaojiu.

Upon completion of the abovementioned equity transfers, Guangzhou Jiumaojiu was beneficially owned by Lhasa Qiaozhanggui (as to 75.2261%), Lhasa Maituan (as to 9.76%), Guangzhou Maixuan (as to 5.03%), Chen Haixia (as to 2.8376%), Zheng Rushi (as to 2.615%), Zhang Zailin (as to 1.43%), Yan Zhiwen (as to 1.0813%), Fu Peihong (as to 1.01%), Luo Xiaojun (as to 0.57%), Zheng Li (as to 0.22%) and Yang Xingshun (as to 0.22%).

Financing from External Investors

Under the management of Mr. Guan, the business of Guangzhou Jiumaojiu grew rapidly, leading to a demand for equity financing.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On April 3, 2014, Beijing He Xie Cheng Zhang, an investment fund and an independent third party, agreed to subscribe for RMB111,111.11 in aggregate in the additional registered capital, representing 10% of the enlarged registered capital in Guangzhou Jiumaojiu at a consideration of RMB70.0 million, which was fully paid up on November 17, 2014. As a result, the registered capital of Guangzhou Jiumaojiu was increased from RMB1,000,000 to RMB1,111,111.11. On the same day, Beijing He Xie Cheng Zhang acquired 5% equity interest in Guangzhou Jiumaojiu from Lhasa Qiaozhanggui at a consideration of RMB30.0 million. The consideration was settled on December 1, 2014.

On April 3, 2014, Ms. Ye Shangying, an independent third party, acquired 0.1066% and 0.6934% equity interest in Guangzhou Jiumaojiu from Zhang Zailin, one of our employees, and Lhasa Maituan at considerations of approximately RMB0.6 million and RMB4.2 million, respectively. The considerations were settled on April 23, 2014.

On December 26, 2014, Mr. Fu Yong, an independent third party, acquired 0.3622% and 1.1378% equity interest in Guangzhou Jiumaojiu from Lhasa Maituan and Lhasa Qiaozhanggui at considerations of approximately RMB2.2 million and RMB6.8 million, respectively. The considerations were settled on April 28, 2015.

All considerations of the abovementioned transactions were determined with reference to an independent valuation of Guangzhou Jiumaojiu. For details, see “— Pre-IPO Investments.”

On May 11, 2015, an equity transfer agreement was entered into between Zheng Rushi, a former employee of us who held 2.3535% equity interest in Guangzhou Jiumaojiu at the time, and Shenzhen Daxiongfeng Venture Capital Co., Ltd. (“**Shenzhen Daxiongfeng**”), an independent third party, pursuant to which Zheng Rushi agreed to transfer the entire equity interest in Guangzhou Jiumaojiu to Shenzhen Daxiongfeng at a consideration of approximately RMB23.5 million determined after arm’s length negotiations between the parties, which was subsequently settled on June 17, 2015.

A Share Listing Attempt

In preparation for a potential A share listing on the Shanghai Stock Exchange in China, on August 20, 2015, a resolution was passed in the shareholders’ meeting of Guangzhou Jiumaojiu, pursuant to which Guangzhou Jiumaojiu was converted into a joint stock company limited by shares. Our Directors believed that the listing status would bring us (i) funds for our future business expansion, (ii) more financing opportunities to optimize our capital structure, (iii) enhancement of our brand awareness and (iv) ability to attract more talents. Guangzhou Jiumaojiu submitted its A share listing application to the CSRC on May 25, 2016 (“**A Share Listing Attempt**”) and received enquiries from the CSRC on April 6, 2017 (the “**Enquires**”). The Enquires were primarily disclosure-based, requesting further details on the corporate structure, operational and financial information, compliance records and other related-matters of Guangzhou Jiumaojiu. No major comments or issues were raised or identified in the Enquires that would affect the Company’s suitability for Listing on the Stock Exchange. Guangzhou Jiumaojiu submitted its reply to the Enquires to the CSRC on July 4, 2017 and did not receive any further enquiry from the CSRC. In March 2018, due to the prolonged and uncertain listing timetable in light of the overall A share vetting process and in order to gain recognition worldwide, Guangzhou Jiumaojiu decided to withdraw its A share listing application and started the preparation of the Listing on the Stock Exchange.

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To the best knowledge of our Directors, our Directors are not aware of any other matters relating to the A Share Listing Attempt which are relevant to the Listing and should be reasonably highlighted in this prospectus for investors to form an informed assessment of our Company. There are no major outstanding comments or issues raised by the CSRC, and there are no implications on the Company's Listing application in Hong Kong.

In relation to the A Share Listing Attempt, the Sole Sponsor has conducted the following due diligence to (i) understand the background of the A Share Listing Attempt and the reason for the withdrawal of the A Share Listing Attempt; and (ii) ascertain whether there is any material issue in relation to, among others, the business operations, financials and internal control of Guangzhou Jiumaojiu or material litigations involving Guangzhou Jiumaojiu:

1. conducted interviews with (i) the management of the Group responsible for handling A Share Listing Attempt; and (ii) the professional parties engaged by Guangzhou Jiumaojiu in connection with the A Share Listing Attempt including the sponsor, the legal advisor, the auditor and the assets appraiser;
2. reviewed the publicly available information on the mass media relating to the A Share Listing Attempt;
3. reviewed the draft prospectus in relation to the A Share Listing Attempt; and
4. reviewed the CSRC's comment letter and Guangzhou Jiumaojiu's responses to the CSRC's comment letter.

Based on the foregoing due diligence, the Sole Sponsor confirms that nothing has come to its attention that any of the CSRC comments has not been properly addressed or rectified by us. On this basis, the Sole Sponsor confirms that it has not identified any material issue relating to the A Share Listing Attempt, which materially and adversely affects our Company's suitability for the Listing, and any other matter to be brought to the attention of the Stock Exchange regarding the A Share Listing Attempt.

Shareholding Changes during the Track Record Period

On May 17, 2018, Shenzhen Daxiongfeng transferred its entire equity interest in Guangzhou Jiumaojiu (2.3535%) to Lhasa Qiaozhanggui at a consideration of approximately RMB28.2 million determined after arm's length negotiations between the parties, which was subsequently settled on April 15, 2019.

On the same day, Lhasa Qiaozhanggui transferred 3% equity interest in Guangzhou Jiumaojiu to Mr. Gao Defu at a consideration of approximately RMB36.0 million determined after arm's length negotiations between the parties, which was subsequently settled on August 16, 2018. For details, see "— Pre-IPO Investments."

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On November 9, 2018, Mr. Fu Yong transferred 1.1667% equity interest in Guangzhou Jiumaojiu to Ms. Huang Qin, an independent third party, at a consideration of approximately RMB14.0 million determined after arm's length negotiations between the parties, which was subsequently settled on December 13, 2018.

On November 9, 2018, Mr. Yang Xingshun, a former employee of us, transferred 0.198% equity interest in Guangzhou Jiumaojiu to Lhasa Qiaozhanggui at a consideration of approximately RMB2.0 million determined after arm's length negotiations between the parties, which was subsequently settled on November 22, 2018.

Information on Our Group Companies

We set forth below information regarding our principal operating subsidiaries which were material to the performance of our Group:

Name	Date and Place of Establishment	Principal Activity	Ownership by Our Group	Shareholding Changes during the Track Record Period and up to the Latest Practicable Date
Guangzhou Jiumaojiu	August 30, 2005 PRC	Headquarters of all brands and restaurant operation under Jiu Mao Jiu in Guangdong	100%	None except as disclosed in "Statutory and General Information — A. Further Information about Our Group — 5. Changes in the Share Capital of Our Subsidiaries" in Appendix IV, "— Our Group — Development of Guangzhou Jiumaojiu — Shareholding Changes during the Track Record Period" and "— Reorganization"
Pin Xin Yue Gu	June 23, 2016 PRC	Investment holding company	100%	See "Statutory and General Information — A. Further Information about Our Group — 5. Changes in the Share Capital of Our Subsidiaries" in Appendix IV
Shenzhen Jiumaojiu	October 22, 2012 PRC	Restaurant operation under Jiu Mao Jiu in Shenzhen	100%	None
Haikou Jiumaojiu	October 24, 2012 PRC	Restaurant operation under Jiu Mao Jiu in Hainan	100%	None
Beijing Jiumaojiu	May 17, 2012 PRC	Restaurant operation under Jiu Mao Jiu in Beijing	100%	None
Wuhan Jiumaojiu	March 12, 2014 PRC	Restaurant operation under Jiu Mao Jiu in Wuhan	100%	None
Nanjing Jiumaojiu	December 22, 2014 PRC	Restaurant operation under Jiu Mao Jiu in Nanjing, Suzhou, Hangzhou and Fuzhou	100%	None
Foshan Maidian	August 23, 2016 PRC	Food processing and central kitchen	100%	None
Tai Er Catering	January 25, 2016 PRC	Restaurant operation under Tai Er	85%	Note 1

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name	Date and Place of Establishment	Principal Activity	Ownership by Our Group	Shareholding Changes during the Track Record Period and up to the Latest Practicable Date
Cong Xin	June 19, 2015 PRC	Restaurant operation under Cooking Spicy Kebab	80%	See “Statutory and General Information — A. Further Information about Our Group — 5. Changes in the Share Capital of Our Subsidiaries” in Appendix IV and note 2 below.
Guangzhou Double Eggs. . .	July 19, 2016 PRC	Restaurant operation under Double Eggs	80%	Note 3
Guangzhou Uncle Chef. . . .	July 3, 2018 PRC	Restaurant operation under Uncle Chef	80%	Note 4

Notes:

1. Guangzhou Jiumaojiu and Hou Mingxu, an employee of us at the time, established Tai Er Catering on January 25, 2016 and subscribed for capital contributions of RMB8.0 million and RMB2.0 million based on the then registered capital of Tai Er Catering, representing 80% and 20% of the equity interest in Tai Er Catering, respectively. On July 22, 2016, Hou Mingxu transferred 20% equity interest in Tai Er Catering to Guangzhou Er Nan Er Nv Business Center (Limited Partnership) (廣州市二男二女商務中心(有限合夥)) (“**Er Nan Er Nv**”), which was a limited partnership owned by our employees, at a consideration of RMB0.2 million. Guangzhou Jiumaojiu transferred 5% equity interest in Tai Er Catering to Duan Yi, an independent third party, at a consideration of RMB0.5 million; and Guangzhou Jiumaojiu transferred 75% equity interest in Tai Er Catering to Pin Xin Yue Gu at a consideration of RMB7.5 million, the considerations were determined based on the then registered capital of Tai Er Catering.

On January 21, 2017, the registered capital of Tai Er Catering was increased from RMB10.0 million to RMB50.0 million by way of capital injection by Pin Xin Yue Gu of RMB30.0 million, Er Nan Er Nv of RMB8.0 million and Duan Yi of RMB2.0 million. Following the capital injection, Tai Er Catering was owned by Pin Xin Yue Gu (as to 75%), Er Nan Er Nv (as to 20%) and Duan Yi (as to 5%).

On May 10, 2018, Er Nan Er Nv transferred 5% equity interest in Tai Er Catering to Pin Xin Yue Gu at a consideration of RMB12.5 million after arm’s length negotiations between the parties. The consideration was settled on May 31, 2018.

On October 10, 2018, Duan Yi transferred 5% equity interest in Tai Er Catering to Pin Xin Yue Gu at a consideration of RMB15.0 million after arm’s length negotiations between the parties. The consideration was settled on October 31, 2018.

2. Guangzhou Jiumaojiu and Guangzhou Shuangzhi Information Technology Co., Ltd. (廣州雙質信息科技有限公司) (“**Shuang Zhi**”), an independent third party, established Cong Xin on June 19, 2015 and subscribed for capital contributions of RMB990,000 and RMB810,000 based on the then registered capital of Cong Xin, representing 55% and 45% of the equity interest in Cong Xin, respectively. On August 26, 2016, Guangzhou Jiumaojiu transferred 55% equity interest in Cong Xin to Pin Xin Yue Gu at a consideration of RMB990,000 based on the then registered capital of Cong Xin. On June 11, 2018, Shuang Zhi transferred 45% equity interest in Cong Xin to Pin Xin Yue Gu at a consideration of RMB810,000 based on the then registered capital of Cong Xin.

Following the capital increase of Cong Xin on January 28, 2019 as disclosed in “Appendix IV Statutory and General Information — A. Further Information about Our Group — 5. Changes in the Share Capital of Our Subsidiaries”, Pin Xin Yue Gu and Guangzhou Thousand-layer Waves Investment Centre (Limited Partnership) (廣州千層的浪投資中心(有限合夥)), a limited partnership owned by our employees, owned 80% and 20% equity interest in Cong Xin, respectively.

3. On July 19, 2016, Guangzhou Jiumaojiu and Haikou Coconut House Catering Culture Co., Ltd. (海口椰語堂餐飲文化有限公司) (“**Haikou Coconut House**”), an independent third party, established Guangzhou Double Eggs and subscribed for capital contributions of RMB6.5 million and RMB3.5 million based on the then registered capital of Guangzhou Double Eggs, representing 65% and 35% of the equity interest in Guangzhou Double Eggs, respectively. On August 20, 2016, Guangzhou Jiumaojiu transferred 65% equity interest in Guangzhou Double Eggs to Pin Xin Yue Gu at a consideration of RMB6.5 million based on the then registered capital of Guangzhou Double Eggs. On March 9, 2017, Haikou Coconut House transferred 15% and 20% equity interest in Guangzhou Double Eggs to Pin Xin Yue Gu and Guangzhou Jiuchenhui Business Consulting Center (Limited Partnership) (廣州玖晨慧商務諮詢中心(有限合夥)) (“**Jiuchenhui**”), a limited partnership owned by our employees, at considerations of RMB1.5 million and RMB2.0 million, respectively. The considerations were determined based on the then registered capital of Guangzhou Double Eggs.

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On March 9, 2017, the registered capital of Guangzhou Double Eggs was increased from RMB10.0 million to RMB50.0 million by way of capital injection by Pin Xin Yue Gu of RMB32.0 million and Jiuchenhui of RMB8.0 million.

Following the equity transfer and capital injection, Pin Xin Yue Gu and Jiuchenhui owned 80% and 20% equity interest in Guangzhou Double Eggs, respectively.

- Guangzhou Uncle Chef was wholly owned by Pin Xin Yue Gu at its establishment on July 3, 2018. On April 11, 2019, the registered capital of Guangzhou Uncle Chef was increased from RMB100,000 to RMB10.0 million by way of capital injection by Pin Xin Yue Gu and Guangzhou Weiwei Investment Center (Limited Partnership) (廣州威威投資中心(有限合夥)) (“**Weiwei Investment**”), which subscribed for additional capital contributions of RMB7.4 million and RMB2.5 million based on the then registered capital of Guangzhou Uncle Chef. Following the capital injection, Guangzhou Uncle Chef was owned by Pin Xin Yue Gu (as to 75%) and Weiwei Investment (as to 25%). On October 21, 2019, the registered capital of Guangzhou Uncle Chef increased from RMB10.0 million to RMB20.0 million. Each shareholder of Guangzhou Uncle Chef, being Pin Xin Yue Gu and Weiwei Investment, subscribed for the additional capital contributions of Guangzhou Uncle Chef of RMB8.5 million and RMB1.5 million, respectively. As a result, Pin Xin Yue Gu and Weiwei Investment hold 80% and 20% of the equity interest in Guangzhou Uncle Chef upon the completion of the capital increase, respectively.

PRE-IPO INVESTMENTS

Investments by the Series A Preferred Share Holders and GDF BVI

Details of the pre-IPO investments are set forth below:

	Series A Preferred Share Holders					GDF BVI
	Eskdale BVI		YSY BVI	FY BVI	HQ BVI	
Counterparties:	Guangzhou jiumaojiu and all its existing shareholders at the time	Lhasa Qiaozhanggui	Zhang Zailin and Lhasa Maituan	Lhasa Maituan and Lhasa Qiaozhanggui	Mr. Fu Yong	Lhasa Qiaozhanggui
Valuation of Guangzhou Jiumaojiu at the time of investment:	RMB700.0 million	RMB600.0 million	RMB600.0 million	RMB600.0 million	RMB1.2 billion	RMB1.2 billion
Date of the investment agreement:	April 3, 2014	April 3, 2014	April 3, 2014	December 26, 2014	November 9, 2018	May 17, 2018
Amount of consideration paid:	RMB70.0 million	RMB30.0 million	RMB4.8 million	RMB9.0 million	RMB14.0 million	RMB36.0 million
Payment date:	November 17, 2014	December 1, 2014	April 23, 2014	April 28, 2015	December 13, 2018	August 16, 2018
Cost per share:		HK\$0.74	HK\$0.67	HK\$0.67	HK\$1.34	HK\$1.34
Discount to the Offer Price ⁽¹⁾ :		87.7%	89.0%	89.0%	77.9%	77.9%
Use of proceeds:	Restaurant network expansion; fully utilized		Not applicable as the Company did not receive any proceeds			
Shareholding in the Company immediately after the investment:	10.00%	5.00%	0.80%	1.50%	1.1667%	3.00%
Shareholding in the Company after the Global Offering ⁽²⁾ :		11.25%	0.60%	0.25%	0.88%	2.25%
Benefits to the Company:	Knowledge and experience in the development of business strategy and/or financial resources		Not applicable. Purchase of equity interest from existing shareholders			Knowledge and experience in the catering service industry

Notes:

- Assuming the Offer Price is fixed at HK\$6.05, being the midpoint of the indicative Offer Price range.
- Assuming the Over-allotment Option is not exercised.

Special Rights of the Pre-IPO Investors

In preparation of the Global Offering, the Company became the holding company of Guangzhou Jiumaojiu through the Reorganization, upon completion of which all the previous shareholders of Guangzhou Jiumaojiu held interests in the Company through their respective offshore affiliates. A shareholders' agreement dated May 22, 2019, which superseded all the previous investment agreements, was entered into among our Shareholders and the Company. Pursuant to the shareholders' agreement, the Series A Preferred Share Holders were, subject to certain limitations, entitled to certain customary special rights including (i)

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redemption right if the Listing approval is not obtained by December 31, 2019, (ii) right to appoint one Director by Eskdale BVI, (iii) pre-emptive right, (iv) tag-along right, (v) anti-dilution right and (vi) information right. All special rights will be terminated upon Listing. Upon the completion of the Global Offering, each Series A Preferred Share shall automatically be converted into an ordinary share of a par value of US\$1.00 each of our Company on a one to one ratio. Mr. Zou Dinghang, a non-executive Director, was nominated by Eskdale BVI. No special right has been granted to GDF BVI.

Information Regarding the Pre-IPO Investors

Eskdale BVI is wholly owned by Shanghai Ling Yu, a sister fund of Beijing He Xie Cheng Zhang. Beijing He Xie Cheng Zhang is a private investment fund registered with the Asset Management Association of China (中國證券投資基金業協會) in accordance with applicable PRC laws and regulations. Beijing He Xie Cheng Zhang invests into early stage companies for financial return. It invested into Guangzhou Jiumaojiu in 2014. The general partner of both Shanghai Ling Yu and Beijing He Xie Cheng Zhang is Beijing He Xie Tian Cheng Investment Management Center (Limited Partnership) (北京和諧天成投資管理中心(有限合夥)), which is owned as to 90% by Beijing He Xie Ai Qi Investment Center (Limited Partnership) (北京和諧愛奇投資中心(有限合夥)). The general partner of Beijing He Xie Ai Qi Investment Center (Limited Partnership) is He Xie Ai Qi Investment Management (Beijing) Co., Ltd. (和諧愛奇投資管理(北京)有限公司), which is owned by Lin Dongliang (as to 43.75%), Yang Fei (as to 43.75%) and Li Jianguang (as to 12.50%), who are experienced investment professionals and independent third parties (other than interests in the Company through Eskdale BVI).

Mr. Lin is a general partner of IDG Capital. He was the general manager of He Xie Tian Ming Investment Management (Beijing) Co., Ltd. (和諧天明投資管理(北京)有限公司) from June 2016 to February 2019. He is also a director of Sichuan Shuangma Cement Co., Ltd. (四川雙馬水泥股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000935) since November 2016. Mr. Lin is currently a non-executive director of IDG Energy Investment Limited (a company listed on the Stock Exchange with stock code: 650) and a non-executive director of NetDragon Websoft Holdings Limited (a company listed on the Stock Exchange with stock code: 777). Mr. Lin is a graduate of Tsinghua University (清華大學). He joined IDG Capital in 1995 and was the vice president of IDG High Tech (Beijing) Co., Ltd. (愛奇高科技北京有限公司). He was the vice president of International Data Group (China) Investment Ltd. (國際數據(中國)投資有限公司) from January 2009 to December 2012 and a partner of IDG Capital Investment Consultant Beijing Co., Ltd. (IDG資本投資顧問(北京)有限公司) from January 2013 to May 2016. Prior to joining IDG Capital, Mr. Lin was a senior research fellow at the Development Research Center of the State Council (國務院發展研究中心).

Mr. Yang is currently a partner of IDG Capital. He has worked for IDG Capital since 1997. He was previously the director of the IPO Division of the Guangdong Provincial Securities Regulatory Commission, vice president of the Guangdong United Future Exchange and the director of the Consultant Division of Guangdong Foreign Trade and Economy Institute, where he specialized in economic research. In 1996, he received an award from the central government of China for his work on a project entitled "Strategy for Pushing the Area Economy Forward." Mr. Yang has experience in finance, capital operations, mergers and acquisitions and IPOs, having worked in both the private and public sector and the futures exchange. He holds a master's degree of science and a bachelor's degree from Sun Yat-sen University (中山大學).

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Mr. Li is currently a partner of IDG Capital. Before joining IDG Capital in 1999, Mr. Li worked in Crosby Asset Management Limited as an investment manager. Mr. Li graduated from Peking University (北京大學) in 1987 with a bachelor degree in economics and attained a master degree from Guelph University in Canada in 1994. Mr. Li is also a non-executive director and a member of the audit committee of HC Group Inc., a company listed on Main Board (stock code: 2280), since August 2006, a director of Tarena International, Inc., a company listed on NASDAQ (stock code: TEDU), since January 2014, and a non-executive director of China Binary New Fintech Group, a company listed on GEM of the Stock Exchange (stock code: 8255) since April 2015; Mr. Li is a director of Sanxiang Impression Company Limited (三湘印象股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 000863) since August 2012; Mr. Li is a director of Olympique Lyonnais Groupe SA, a company listed in Paris Stock Exchange (stock code: OLG.PA) since December 2016; and Mr. Li is the chairman of Beijing Xingzhi Sports Company Limited (北京興致體育股份有限公司), a company quoted on the NEEQ (stock code: 831027) since January 2019.

Ms. Ye Shangying, Mr. Fu Yong and Ms. Huang Qin are individual investors who are all independent third parties and invested in our Company with a view to benefiting from our future growth. Mr. Guan became acquainted with Ms. Ye Shangying and Mr. Fu Yong in 2014 through mutual friends in the financial industry. Ms. Ye Shangying, the chief executive officer of Guangzhou Ju Li General Equipment Co., Ltd. (廣州巨力通用設備有限公司) from July 2010 to 2017, acquired interest in our Company from Lhasa Maituan and Zhang Zailin with her own fund. Mr. Fu Yong, the general manager of Cninsure Co., Ltd. Guangdong Branch (泛華保險公估股份有限公司廣東分公司) from March 2007 to present, who engages in equity investments in companies at similar stage of development with his own fund, acquired interest in our Company from Lhasa Qiaozhanggui and Lhasa Maituan. Ms. Huang Qin, an individual investor and an acquaintance of Mr. Fu Yong, who engages in equity investments in companies at similar stage of development with her own fund, acquired interest in our Company from Mr. Fu Yong. The Company became acquainted with Ms. Huang Qin in 2018 through Mr. Fu Yong before his equity transfer to Ms. Huang Qin.

Mr. Gao Defu is the founder of Dalian Xijiade Dumpling Restaurant Management Co., Ltd. (大連喜家德水餃餐飲管理有限公司) and manages and operates chain restaurants under the Xi Jia De brand offering Chinese dumplings. Mr. Guan became acquainted with Mr. Gao Defu in 2013 in an industry conference. Mr. Gao Defu self-funded his investment in our Company with a view to benefiting from our future growth.

Lock-up and Public Float

Eskdale BVI is a substantial shareholder and hence a core connected person of the Company, and therefore Shares held by it will not be counted towards the public float after the Listing. None of Mr. Gao Defu, Ms. Ye Shangying, Mr. Fu Yong and Ms. Huang Qin is a core connected person of the Company, and therefore Shares held by them will be counted towards the public float after the Listing.

Each of the Pre-IPO Investors has agreed that, it will not, at any time during the period of six months following the Listing Date, dispose of any of its Shares.

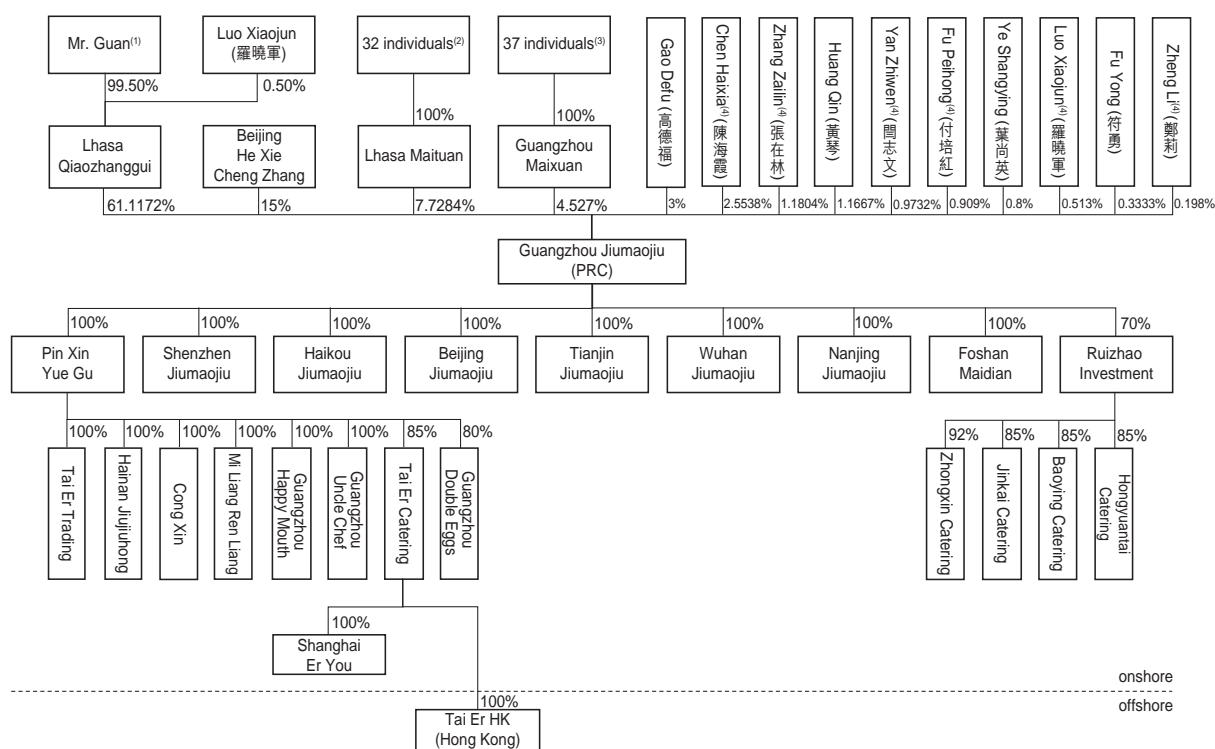
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Compliance with Interim Guidance

The Sole Sponsor considers that the pre-IPO investments made by the Pre-IPO Investors are in compliance with the “Interim Guidance on Pre-IPO Investments” and “Guidance on Pre-IPO Investments” issued by the Stock Exchange in January 2012 (updated in March 2017) and October 2012 (updated in July 2013 and March 2017), respectively, because (i) the relevant considerations under the pre-IPO investments made by the Pre-IPO Investors were fully and irrevocably settled more than 28 clear days before the date of the first submission of the first listing application form to the Stock Exchange in relation to the Listing; and (ii) all special rights that were granted to the Series A Preferred Share Holders will be terminated upon Listing.

REORGANIZATION

Set out below is the shareholding structure of our Group immediately prior to the Reorganization on December 7, 2018:



Notes:

- As of December 7, 2018 immediately prior to the Reorganization, Mr. Guan indirectly held 61.1389% interest in Guangzhou Jiumaojiu through Lhasa Qiaozhanggui, which held 61.1172% equity interest in Guangzhou Jiumaojiu and was owned as to 99.50% by Mr. Guan, and Guangzhou Maixuan, which held 4.527% equity interest in Guangzhou Jiumaojiu and was owned as to 7.23% by Mr. Guan.
- Lhasa Maituan was held by Li Yongwan (17.86%), Chen Haixia (16.04%), Bai Jinchuan (9.83%), Zhang Haikang (8.04%), Li Hongwei (7.07%), Zhao Jing (6.38%), Zhang Xin (4.99%), Han Feng (4.47%), Ji Renrui (3.17%), Hu Jinghua (2.57%), Shi Shengliang (2.23%), Zhao Wenbo (2.12%), Zhang Xiangyu (1.74%), Zhao Ruisheng (1.54%), Hu Zhonghua (1.34%), Deng Erxiang (1.30%), Zhang Guozheng (1.29%), Liu Kunfeng (1.02%), Zhang Xianfeng (0.89%), Zhang Mangui (0.89%), Lei Bo

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(0.89%), Li Linhui (0.65%), Zhao Feihu (0.46%), Ye Shaojin (0.46%), Zheng Xinmin (0.45%), Chen Jiangbin (0.45%), Li Liping (0.45%), Di Liang (0.45%), Lv Jianfeng (0.38%), Duan Donghua (0.22%), Wu Youming (0.22%) and Bai Peilong (0.14%).

- Guangzhou Maixuan was held by Luo Xiaojun (24.27%), Mr. Guan (7.23%), He Chengxiao (4.33%), Yan Zhiwen (3.47%), Fu Peihong (3.47%), Hu Jinghua (3.47%), Hu Zhonghua (3.47%), Cui Longyu (3.47%), Huang Zhaohong (3.47%), Li Zhuoguang (3.47%), Huang Bobo (3.47%), Zhou Zhihua (2.17%), Zhang Zailin (1.73%), Li Hongwei (1.73%), Shi Shengliang (1.73%), Ye Shaojin (1.73%), Li Liping (1.73%), Wu Youming (1.73%), Deng Weibiao (1.73%), Zhang Liufeng (1.73%), Zhang Xiaolin (1.73%), Chen Zhizhao (1.73%), Li Weiye (1.73%), Liao Yuyan (1.73%), Cai Yongxiang (1.73%), Chen Jinjin (1.73%), Wang Chaosheng (1.56%), Chen Haixia (1.44%), Fu Tianliang (1.30%), Rao Longxiang (1.08%), Duan Donghua (0.87%), Li Ming (0.78%), Ren Houjun (0.74%), Liao Wenhua (0.65%), Xiong Junxiong (0.65%), Wu Jia (0.52%) and Lan Huawei (0.43%).

Nine individuals (namely Chen Haixia, Li Hongwei, Hu Jinghua, Shi Shengliang, Hu Zhonghua, Ye Shaojin, Li Liping, Duan Donghua and Wu Youming) were shareholders of both Lhasa Maituan and Guangzhou Maixuan. For details of the relationships between the Group and the individuals disclosed in note 2 and 3, see note 1 and 2 on page 113 and 114.

- Each became a shareholder of either MX BVI or MT BVI after the Reorganization.

In anticipation of our Listing, we underwent the Reorganization pursuant to which our Company became the holding company and listing vehicle of our Group.

Converting Guangzhou Jiumaojiu from a PRC Domestic Enterprise to a Sino-foreign Equity Joint Venture

According to an equity transfer agreement dated December 27, 2018, Lhasa Qiaozhanggui transferred 5% of the equity interest in Guangzhou Jiumaojiu to Sure Win Investments Limited (常贏投資有限公司), a limited company established in Hong Kong which is wholly owned by Kwok Ka Fai, an independent third party, for a consideration of RMB9.0 million, as determined with reference to an independent valuation of Guangzhou Jiumaojiu. The consideration was settled on April 11, 2019. As a result of this transaction, Guangzhou Jiumaojiu was converted from a PRC domestic enterprise to a Sino-foreign equity joint venture on January 15, 2019.

Establishing Offshore Holding Companies and Onshore Shareholding Changes

Establishing Offshore Holding Companies

On December 7, 2018, Mr. Guan incorporated GYH BVI in the BVI; Mr. Gao Defu incorporated GDF BVI in the BVI; Ms. Huang Qin incorporated HQ BVI in the BVI; Ms. Ye Shangying incorporated YSY BVI in the BVI; and Mr. Fu Yong incorporated FY BVI in the BVI. On the same day, 33 individuals set up MX BVI and 27 individuals set up MT BVI in the BVI. On January 25, 2019, Shanghai Ling Yu, an affiliate of Beijing He Xie Cheng Zhang, acquired Eskdale BVI, an investment holding company to hold Shares in our Company.

On February 1, 2019, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability. Upon establishment, our Company was owned by GYH BVI (as to 61.4445%), Eskdale BVI (as to 15.0%), MX BVI (as to 9.137%), MT BVI (as to 9.1185%), GDF BVI (as to 3.0%), HQ BVI (as to 1.1667%), YSY BVI (as to 0.8%) and FY BVI (as to 0.3333%).

Our Company established JMJ Enterprises in the BVI on February 21, 2019, which in turn established Jiumaojiu HK in Hong Kong on March 19, 2019.

Onshore Shareholding Changes

Certain shareholders of Guangzhou Jiumaojiu at the time underwent the following restructuring steps to achieve tax efficiency for the transfer of their respective equity interests in Guangzhou Jiumaojiu to JMJ Holdings.

On April 11, 2019, Mr. Guan and Luo Xiaojun established Fusui Guan Luo Business Management Consulting Partnership (Limited Partnership) (扶綏管羅企業管理諮詢合夥企業(有限合夥)) (“**Guan Luo Partnership**”), which was owned by Mr. Guan as to 99.50% and Luo Xiaojun as to 0.50%. On the same day, Mr. Guan and Luo Xiaojun established Fusui Luo Guan Business Management Consulting Partnership (Limited Partnership) (扶綏羅管企業管理諮詢合夥企業(有限合夥)) (“**Luo Guan Partnership**”), which was owned by Mr. Guan as to 99.50% and Luo Xiaojun as to 0.50%.

On April 15, 2019, 32 individual shareholders of Lhasa Maituan established Fusui Mai Mai Business Management Consulting Partnership (Limited Partnership) (扶綏麥麥企業管理諮詢合夥企業(有限合夥)) (“**Mai Mai Partnership**”) and Fusui Tuan Tuan Business Management Consulting Partnership (Limited Partnership) (扶綏團團企業管理諮詢合夥企業(有限合夥)) (“**Tuan Tuan Partnership**”), respectively.

On April 23, 2019, Guan Luo Partnership and Luo Guan Partnership established Wulian Qiaozhanggui Business Management Consulting Partnership (Limited Partnership) (五蓮蕎掌貴企業管理諮詢合夥企業(有限合夥)) (“**Wulian Qiaozhanggui**”), which was then owned as to 50% by Guan Luo Partnership and as to 50% by Luo Guan Partnership, respectively. On the same day, Mai Mai Partnership and Tuan Tuan Partnership established Wulian Maituan Business Management Consulting Partnership (Limited Partnership) (五蓮麥團企業管理諮詢合夥企業(有限合夥)) (“**Wulian Maituan**”), which was then owned as to 50% by Mai Mai Partnership and as to 50% by Tuan Tuan Partnership, respectively.

On April 26, 2019, Lhasa Qiaozhanggui transferred 56.12% equity interest in Guangzhou Jiumaojiu to Wulian Qiaozhanggui at a consideration of approximately RMB110.0 million; Lhasa Maituan transferred 7.73% equity interest in Guangzhou Jiumaojiu to Wulian Maituan at a consideration of approximately RMB13.9 million. The considerations were determined based on an independent valuation.

Acquisition of Our Onshore Subsidiaries

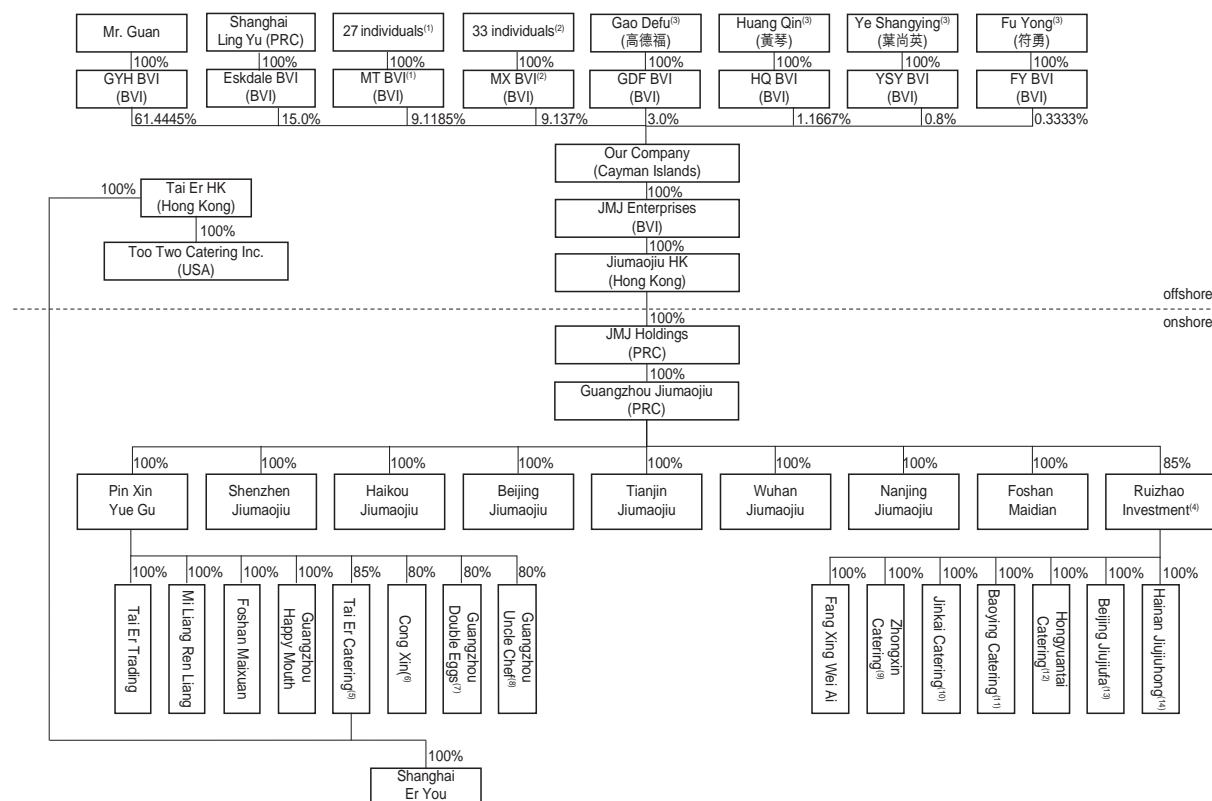
On May 27, 2019, Jiumaojiu HK established JMJ Holdings in the PRC. According to an equity transfer agreement dated May 30, 2019, each of the then shareholders of Guangzhou Jiumaojiu transferred his/her/its entire equity interest, which together comprised 100% equity interest in Guangzhou Jiumaojiu to JMJ Holdings, our wholly-owned subsidiary on June 14, 2019, for a consideration of RMB180.0 million in aggregate, as determined with reference to an independent valuation. The consideration was fully settled by November 28, 2019. As a result of the transfer, Guangzhou Jiumaojiu became a wholly-owned subsidiary of JMJ Holdings.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Corporate Structure as of the Latest Practicable Date

The following chart sets forth our corporate structure after completion of the Reorganization and as of the Latest Practicable Date:



Notes:

- MT BVI is held by Luo Xiaojun (17.6753%), Zhang Zailin (13.8040%), Yan Zhiwen (12.3952%), Fu Peihong (11.6915%), Bai Jinchuan (8.3315%), Zhao Jing (5.4074%), Zhang Xin (4.2293%), Hu Zhonghua (2.8585%), Ji Renrui (2.6867%), He Chengxiao (2.1497%), Cui Longyu (1.7227%), Huang Zhaohong (1.7227%), Li Zhuoguang (1.7227%), Huang Bobo (1.7227%), Zhang Xiangyu (1.4747%), Zhao Ruisheng (1.3052%), Ye Shaojin (1.2488%), Deng Erxiang (1.1018%), Wu Youming (1.0453%), Chen Zhizhao (0.8589%), Li Weiye (0.8589%), Liao Yuyan (0.8589%), Cai Yongxiang (0.8589%), Chen Jinjin (0.8589%), Fu Tianliang (0.6454%), Li Linhui (0.5509%) and Lan Huawei (0.2135%).

Among the 27 individuals who are shareholders of MT BVI, 22 of them (namely Zhang Zailin, Yan Zhiwen, Fu Peihong, Bai Jinchuan, Zhao Jing, Ji Renrui, Zhang Xiangyu, Hu Zhonghua, Deng Erxiang, Ye Shaojin, Wu Youming, He Chengxiao, Cui Longyu, Huang Zhaohong, Li Zhuoguang, Huang Bobo, Li Weiye, Liao Yuyan, Cai Yongxiang, Chen Jinjin, Fu Tianliang and Lan Huawei) are our employees and five of them (namely Luo Xiaojun, Zhang Xin, Zhao Ruisheng, Li Linhui and Chen Zhizhao) are our former employees. 15 of them (namely Luo Xiaojun, Yan Zhiwen, Fu Peihong, Bai Jinchuan, Deng Erxiang, He Chengxiao, Cui Longyu, Huang Zhaohong, Li Zhuoguang, Chen Zhizhao, Li Weiye, Liao Yuyan, Cai Yongxiang, Chen Jinjin and Fu Tianliang) are our connected persons, each of whom is either (i) one of our Directors, (ii) a director or chief executive of a subsidiary or (iii) a former director of our subsidiaries in the last 12 months. Three of them (namely Zhao Jing, Zhang Xin and Zhao Ruisheng) are relatives of Mr. Guan and thus deemed connected persons of our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Pursuant to the Old RSU Scheme, Mr. Guan granted certain number of RSUs to Chen Zhizhao, which had been converted into shares of MT BVI held by Chen Zhizhao upon the Reorganization on June 14, 2019. The RSUs held by Chen Zhizhao lapsed as the RSUs shall vest at the end of a five-year service period while he ceased to be an employee of Guangzhou Jiumaojiu or any of its subsidiaries before the expiration of the service period. As a result, shares in MT BVI representing 0.8589% of the total issued share capital in MT BVI held by Chen Zhizhao shall be returned to Mr. Guan or his wholly owned investment vehicle after Listing. For details, see “Statutory and General Information — D. Share Incentive Schemes — Restricted Stock Unit Scheme” in Appendix IV.

- MX BVI is held by Chen Haixia (42.2310%), Li Yongwan (15.1070%), Li Hongwei (6.8372%), Zhang Haikang (6.8005%), Hu Jinghua (3.8930%), Han Feng (3.7809%), Shi Shengliang (2.7433%), Zheng Li (2.1670%), Zhao Wenbo (1.7932%), Li Liping (1.2378%), Zhang Guozheng (1.0911%), Zhou Zhihua (1.0751%), Liu Kunfeng (0.8627%), Deng Weibiao (0.8571%), Zhang Liufeng (0.8571%), Zhang Xiaolin (0.8571%), Wang Chaosheng (0.7729%), Zhang Xianfeng (0.7528%), Zhang Mangui (0.7528%), Lei Bo (0.7528%), Duan Donghua (0.6171%), Rao Longxiang (0.5351%), Zhao Feihu (0.3891%), Li Ming (0.3865%), Zheng Xinmin (0.3806%), Chen Jiangbin (0.3806%), Di Liang (0.3806%), Ren Houjun (0.3666%), Liao Wenhua (0.3220%), Xiong Junxiong (0.3220%), Lv Jianfeng (0.3214%), Wu Jia (0.2576%) and Bai Peilong (0.1184%).

Among the 33 individuals who are shareholders of MX BVI, 23 of them (namely Chen Haixia, Zhang Haikang, Li Hongwei, Han Feng, Hu Jinghua, Shi Shengliang, Zhang Guozheng, Liu Kunfeng, Zhang Xianfeng, Lei Bo, Zhao Feihu, Di Liang, Lv Jianfeng, Deng Weibiao, Zhang Liufeng, Zhang Xiaolin, Wang Chaosheng, Rao Longxiang, Li Ming, Ren Houjun, Liao Wenhua, Xiong Junxiong and Wu Jia) are our employees; nine of them (namely Li Yongwan, Zhao Wenbo, Zhang Mangui, Zheng Xinmin, Chen Jiangbin, Li Liping, Duan Donghua, Bai Peilong and Zhou Zhihua) are our former employees; and Zheng Li is an external investor. All of them are independent third parties.

Mr. Guan granted certain number of RSUs to Duan Donghua, Li Liping and Zhou Zhihua, which had been converted into shares of MX BVI held by them upon the Reorganization on June 14, 2019. The RSUs held by the abovementioned individuals lapsed as the RSUs shall vest at the end of a five-year service period while they ceased to be employees of Guangzhou Jiumaojiu or any of its subsidiaries before the expiration of the service period. As a result, certain number of shares in MX BVI representing 0.4311%, 0.8569% and 1.0751% of the total issued share capital in MX BVI held by Duan Donghua, Li Liping and Zhou Zhihua, respectively, shall be returned to Mr. Guan or his wholly owned investment vehicle after Listing. For details, see “Statutory and General Information — D. Share Incentive Schemes — Restricted Stock Unit Scheme” in Appendix IV.

- Each is an independent third party.
- The remaining 15% equity interest in Ruizhao Investment was owned by Guangzhou Zhaorui Investment Center (Limited Partnership) (廣州兆瑞投資中心(有限合夥)) (“Zhaorui Investment”), a limited partnership owned by our employees and a former employee, each of whom invested in the limited partnership with his/her own fund. Guangzhou Jiumaojiu and Zhaorui Investment established Ruizhao Investment on September 19, 2018, and subscribed for capital contributions of RMB28.0 million and RMB12.0 million based on the then registered capital of Ruizhao Investment, representing 70% and 30% of the equity interest in Ruizhao Investment, respectively. Zhaorui Investment transferred 15% equity interest in Ruizhao Investment at a consideration of RMB6.0 million determined with reference to the then registered capital of Ruizhao Investment to Guangzhou Jiumaojiu on April 11, 2019. Details on Zhaorui Investment, its partners and the capital contributions attributable to the partners of Zhaorui Investment and Guangzhou Jiumaojiu in Ruizhao Investment as of the date of this prospectus are set forth below:

Name	Role in Zhaorui Investment	% of interest in Zhaorui Investment	Capital contributions subscribed for in Ruizhao Investment (RMB)	Paid-up amount attributable to the relevant individual/entity (RMB)
1. Huang Zhaohong	General partner	29.33	1,759,998	440,000
2. Hu Jinghua.	Limited partner	26.67	1,600,002	400,000
3. Liao Yuyan.	Limited partner	13.33	799,998	200,000
4. Zhou Zhihua.	Limited partner	13.33	799,998	200,000
5. Ye Shaojin	Limited partner	10.00	600,000	150,000
6. Wang Chaosheng	Limited partner	4.00	240,000	60,000
7. Rao Longxiang	Limited partner	2.67	160,002	40,000
8. Xiong Junxiong.	Limited partner	0.67	40,002	10,000
9. Guangzhou Jiumaojiu	—	—	34,000,000	8,500,000
Total		100.00	40,000,000	10,000,000

The unpaid portion of the capital contributions in Ruizhao Investment will be fully paid up before December 31, 2035 according to its articles of association.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

5. The remaining 15% equity interest in Tai Er Catering was owned by Er Nan Er Nv, a limited partnership owned by our employees, each of whom invested in the limited partnership with his/her own fund. See note 1 on page 106 for the shareholding changes of Tai Er Catering during the Track Record Period. Details on Er Nan Er Nv, its partners and the capital contributions attributable to the partners of Er Nan Er Nv and Pin Xin Yue Gu in Tai Er Catering as of the date of this prospectus are set forth below:

Name	Role in Er Nan Er Nv	% of interest in Er Nan Er Nv	Capital contributions subscribed for in Tai Er Catering (RMB)	Paid-up amount attributable to the relevant individual/ entity (RMB)	
1.	Li Jiajun	General partner	20.29	1,521,900	700,074
2.	Cao Huiqi	Limited partner	24.50	1,837,200	845,112
3.	He Chengxiao	Limited partner	11.33	849,900	390,954
4.	Fu Tianliang	Limited partner	6.63	496,875	228,563
5.	Bai He	Limited partner	5.60	419,850	193,131
6.	Zhang Xiaochan	Limited partner	4.83	362,100	166,566
7.	Fan Huiyi	Limited partner	3.84	287,625	132,308
8.	Tian Haiyan	Limited partner	3.28	245,700	113,022
9.	Wang Jian	Limited partner	2.81	210,600	96,876
10.	Zhong Ai	Limited partner	2.79	209,175	96,221
11.	He Weidong	Limited partner	2.78	208,125	95,738
12.	Meng Huojun	Limited partner	2.34	175,500	80,730
13.	Lai Zhenzhen	Limited partner	2.34	175,500	80,730
14.	Zou Liang	Limited partner	1.12	83,925	38,606
15.	Pan Zhenhua	Limited partner	1.12	83,925	38,606
16.	Liu Li	Limited partner	0.92	68,775	31,637
17.	Lu Chunsi	Limited partner	0.92	68,775	31,637
18.	Zhao Xinzheng	Limited partner	0.92	68,775	31,637
19.	Liang Ziheng	Limited partner	0.56	41,925	19,286
20.	Zhang Yunping	Limited partner	0.56	41,925	19,286
21.	He Jingdeng	Limited partner	0.56	41,925	19,286
22.	Pin Xin Yue Gu	—	—	42,500,000	19,550,000
Total		100.00	50,000,000	23,000,000	

The unpaid portion of the capital contributions in Tai Er Catering will be fully paid up before January 1, 2038 according to its articles of association.

6. The remaining 20% equity interest in Cong Xin was owned by Guangzhou Thousand-layer Waves Investment Center (Limited Partnership) (廣州千層的浪投資中心(有限合夥)) (“**Thousand-layer Waves**”), a limited partnership owned by our employees, each of whom invested in the limited partnership with his/her own fund. See note 2 on page 106 for the shareholding changes of Cong Xin during the Track Record Period. Details on Thousand-layer Waves, its partners and the capital contributions attributable to the partners of Thousand-layer Waves and Pin Xin Yue Gu in Cong Xin as of the date of this prospectus are set forth below:

Name	Role in Thousand-layer Waves	% of interest in Thousand-layer Waves	Capital contributions subscribed for in Cong Xin (RMB)	Paid-up amount attributable to the relevant individual/ entity (RMB)	
1.	Chen Si	General partner	40.00	800,000	320,000
2.	Pu Haibin	Limited partner	30.00	600,000	240,000
3.	Liu Yuxiong	Limited partner	10.00	200,000	80,000
4.	Pei Xiaodong	Limited partner	10.00	200,000	80,000
5.	Chen Haixia	Limited partner	10.00	200,000	80,000
6.	Pin Xin Yue Gu	—	—	8,000,000	3,120,000
Total		100.00	10,000,000	3,920,000	

The unpaid portion of the capital contributions in Cong Xin will be fully paid up before December 30, 2055 according to its articles of association.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

7. The remaining 20% equity interest in Guangzhou Double Eggs was owned by Jiuchenhui, a limited partnership owned by our employees, each of whom invested in the limited partnership with his/her own fund. See note 3 on page 106 for the shareholding changes of Guangzhou Double Eggs during the Track Record Period. Details on Jiuchenhui, its partners and the capital contributions attributable to the partners of Jiuchenhui and Pin Xin Yue Gu in Guangzhou Double Eggs as of the date of this prospectus are set forth below:

Name	Role in Jiuchenhui	% of interest in Jiuchenhui	Capital contributions subscribed for in Guangzhou Double Eggs (RMB)	Paid-up amount attributable to the relevant individual/ entity (RMB)
1. Cai Yongxiang	General partner	42.22	4,222,000	312,428
2. Wang Pengfei	Limited partner	31.66	3,166,000	234,284
3. Xiang Shuying	Limited partner	17.95	1,794,530	132,795
4. Wang Chaosheng	Limited partner	4.25	425,020	31,451
5. Chen Haixia	Limited partner	3.92	392,450	29,041
6. Pin Xin Yue Gu	—	—	40,000,000	2,960,000
Total		<u>100.00</u>	<u>50,000,000</u>	<u>3,700,000</u>

The unpaid portion of the capital contributions in Guangzhou Double Eggs will be fully paid up before December 31, 2045 according to its articles of association.

8. The remaining 25% equity interest in Guangzhou Uncle Chef was owned by Weiwei Investment, a limited partnership owned by our employees, each of whom invested in the limited partnership with his/her own fund. See note 4 on page 107 for the shareholding changes of Guangzhou Uncle Chef during the Track Record Period. On October 21, 2019, the registered capital of Guangzhou Uncle Chef increased from RMB10.0 million to RMB20.0 million. Each shareholder of Guangzhou Uncle Chef, being Pin Xin Yue Gu and Weiwei Investment, subscribed for the additional capital contributions of Guangzhou Uncle Chef of RMB8.5 million and RMB1.5 million, respectively. As a result, Pin Xin Yue Gu and Weiwei Investment hold 80% and 20% of the equity interest in Guangzhou Uncle Chef upon the completion of the capital increase, respectively. Details on Weiwei Investment, its partners and the capital contributions attributable to the partners of Weiwei Investment and Pin Xin Yue Gu in Guangzhou Uncle Chef as of the date of this prospectus are set forth below:

Name	Role in Weiwei Investment	% of interest in Weiwei Investment	Capital contributions subscribed for in Guangzhou Uncle Chef (RMB)	Paid-up amount attributable to the relevant individual/ entity (RMB)
1. Li Weiye	General partner	40.00	1,600,000	600,000
2. Cai Yongxiang	Limited partner	42.00	1,680,000	630,000
3. Cai Yile	Limited partner	15.00	600,000	225,000
4. Cai Meilin	Limited partner	3.00	120,000	45,000
5. Pin Xin Yue Gu	—	—	16,000,000	4,500,000
Total		<u>100.00</u>	<u>20,000,000</u>	<u>6,000,000</u>

The unpaid portion of the capital contributions in Guangzhou Uncle Chef will be fully paid up before December 31, 2035 according to its articles of association.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

9. Up until October 21, 2019, Zhongxin Catering was owned as to 92% by Ruizhao Investment and as to 8% by Guangzhou Zhongxin Investment Center (Limited Partnership) (廣州眾信投資中心(有限合夥)) (“**Zhongxin Investment**”), a limited partnership owned by our employees, each of whom invested in the limited partnership with his/her own fund. Ruizhao Investment and Zhongxin Investment established Zhongxin Catering on December 17, 2018, and subscribed for capital contributions of RMB9.2 million and RMB0.8 million based on the then registered capital of Zhongxin Catering, representing 92% and 8% of the equity interest in Zhongxin Catering, respectively. Details on Zhongxin Investment, its partners and the capital contributions attributable to the partners of Zhongxin Investment and Ruizhao Investment in Zhongxin Catering as of October 21, 2019 are set forth below:

Name	Role in Zhongxin Investment	% of interest in Zhongxin Investment	Capital contributions subscribed for in Zhongxin Catering (RMB)	Paid-up amount attributable to the relevant individual/entity (RMB)
1. Xiang Jing	General partner	49.99	399,920	107,978
2. Cai Zedong	Limited partner	16.67	133,360	36,007
3. Li Keyun	Limited partner	16.67	133,360	36,007
4. Li Zesi	Limited partner	16.67	133,360	36,007
5. Ruizhao Investment	—	—	9,200,000	—
Total		100.00	10,000,000	216,000

On October 21, 2019, Zhongxin Investment transferred its entire equity interest in Zhongxin Catering to Ruizhao Investment at a consideration of approximately RMB0.2 million determined with reference to (i) the paid-up capital it contributed to Zhongxin Catering plus (ii) accumulative profits from the Jiu Mao Jiu restaurants managed by Zhongxin Catering up to June 30, 2019 allocated to Zhongxin Investment.

10. Up until October 21, 2019, Jinkai Catering was owned as to 85% by Ruizhao Investment and as to 15% by Guangzhou Jiurui Investment Center (Limited Partnership) (廣州九睿投資中心(有限合夥)) (“**Jiurui Investment**”), a limited partnership owned as to 60% by Huang Zhaohong and 40% by Miao Weiwei who were both our employees, each of whom invested in the limited partnership with his/her own fund. Huang Zhaohong also owned 1.72% of the total issued share capital in MT BVI. Ruizhao Investment and Jiurui Investment established Jinkai Catering on November 7, 2018, and subscribed for capital contributions of RMB8.5 million and RMB1.5 million based on the then registered capital of Jinkai Catering, representing 85% and 15% of the equity interest in Jinkai Catering, respectively. Details on Jiurui Investment, its partners and the capital contributions attributable to the partners of Jiurui Investment and Ruizhao Investment in Jinkai Catering as of October 21, 2019 are set forth below:

Name	Role in Jiurui Investment	% of interest in Jiurui Investment	Capital contributions subscribed for in Jinkai Catering (RMB)	Paid-up amount attributable to the relevant individual/entity (RMB)
1. Miao Weiwei	General partner	40.00	600,000	390,000
2. Huang Zhaohong	Limited partner	60.00	900,000	585,000
3. Ruizhao Investment	—	—	8,500,000	—
Total		100.00	10,000,000	975,000

On October 21, 2019, Jiurui Investment transferred its entire equity interest in Jinkai Catering to Ruizhao Investment at a consideration of approximately RMB1.0 million determined with reference to (i) the paid-up capital it contributed to Jinkai Catering plus (ii) accumulative profits from the Jiu Mao Jiu restaurants managed by Jinkai Catering up to June 30, 2019 allocated to Jiurui Investment.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

11. Up until October 21, 2019, Baoying Catering was owned as to 85% by Ruizhao Investment and as to 15% by Guangzhou Liying Investment Center (Limited Partnership) (廣州力盈投資中心(有限合夥)) (“**Liying Investment**”), a limited partnership owned by our employees, each of whom invested in the limited partnership with his/her own fund. Ruizhao Investment and Liying Investment established Baoying Catering on December 19, 2018, and subscribed for capital contributions of RMB8.5 million and RMB1.5 million based on the then registered capital of Baoying Catering, representing 85% and 15% of the equity interest in Baoying Catering, respectively. Details on Liying Investment, its partners and the capital contributions attributable to the partners of Liying Investment and Ruizhao Investment in Baoying Catering as of October 21, 2019 are set forth below:

Name	Role in Liying Investment	% of interest in Liying Investment	Capital contributions subscribed for in Baoying Catering (RMB)	Paid-up amount attributable to the relevant individual/entity (RMB)
1. Zhou Guoying	General partner	57.69	865,385	—
2. Guo Wu	Limited partner	11.54	173,078	—
3. Zhang Ke	Limited partner	7.69	115,385	—
4. Wu Zhanli	Limited partner	7.69	115,385	—
5. Yu Zhiyan	Limited partner	7.69	115,385	—
6. Wu Liping	Limited partner	7.69	115,385	—
7. Ruizhao Investment	—	—	8,500,000	—
Total		<u>100.00</u>	<u>10,000,000</u>	<u>—</u>

On October 21, 2019, Liying Investment transferred its entire equity interest in Baoying Catering to Ruizhao Investment at a consideration of approximately RMB0.1 million determined with reference to (i) the paid-up capital it contributed to Baoying Catering plus (ii) accumulative profits from the Jiu Mao Jiu restaurants managed by Baoying Catering up to June 30, 2019 allocated to Liying Investment.

12. Up until October 21, 2019, Hongyuantai Catering was owned as to 85% by Ruizhao Investment and as to 15% by Guangzhou Boyu Investment Center (Limited Partnership) (廣州博玉投資中心(有限合夥)) (“**Boyu Investment**”), a limited partnership owned by our employees, each of whom invested in the limited partnership with his/her own fund. Ruizhao Investment and Boyu Investment established Hongyuantai Catering on December 18, 2018, and subscribed for capital contributions of RMB8.5 million and RMB1.5 million based on the then registered capital of Hongyuantai Catering, representing 85% and 15% of the equity interest in Hongyuantai Catering, respectively. Details on Boyu Investment, its partners and the capital contributions attributable to the partners of Boyu Investment and Ruizhao Investment in Hongyuantai Catering as of October 21, 2019 are set forth below:

Name	Role in Boyu Investment	% of interest in Boyu Investment	Capital contributions subscribed for in Hongyuantai Catering (RMB)	Paid-up amount attributable to the relevant individual/entity (RMB)
1. Yang Guohui	General partner	52.67	790,000	576,699
2. Dong Juju	Limited partner	10.00	150,000	109,500
3. Li Weiqiao	Limited partner	8.00	120,000	87,600
4. Zhao Hongliang	Limited partner	6.67	100,000	73,000
5. Li Xiaofeng	Limited partner	6.67	100,000	73,000
6. Wang Xiaohuan	Limited partner	4.00	60,000	43,800
7. Luo Jiajie	Limited partner	4.00	60,000	43,800
8. Lei Liming	Limited partner	4.00	60,000	43,800
9. Li Zhihong	Limited partner	4.00	60,000	43,800
10. Ruizhao Investment	—	—	8,500,000	—
Total		<u>100.00</u>	<u>10,000,000</u>	<u>1,095,000</u>

On October 21, 2019, Boyu Investment transferred its entire equity interest in Hongyuantai Catering to Ruizhao Investment at a consideration of approximately RMB1.8 million determined with reference to (i) the paid-up capital it contributed to Hongyuantai Catering plus (ii) accumulative profits from the Jiu Mao Jiu restaurants managed by Hongyuantai Catering up to June 30, 2019 allocated to Boyu Investment.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

13. Up until October 21, 2019, Beijing Jiujiafa was owned as to 85% by Ruizhao Investment and as to 15% by Guangzhou Jiumaiying Investment Center (Limited Partnership) (廣州九麥贏投資中心(有限合夥)) (“**Jiumaiying Investment**”), a limited partnership owned by our employees, each of whom invested in the limited partnership with his/her own fund. Ruizhao Investment and Jiumaiying Investment established Beijing Jiujiafa on January 2, 2019, and subscribed for capital contributions of RMB85,000 and RMB15,000 based on the then registered capital of Beijing Jiujiafa, representing 85% and 15% of the equity interest in Beijing Jiujiafa, respectively. Details on Jiumaiying Investment, its partners and the capital contributions attributable to the partners of Jiumaiying Investment and Ruizhao Investment in Beijing Jiujiafa as of October 21, 2019 are set forth below:

Name	Role in Jiumaiying Investment	% of interest in Jiumaiying Investment	Capital contributions subscribed for in Beijing Jiujiafa (RMB)	Paid-up amount attributable to the relevant individual/entity (RMB)
1. Chen Jinjin	General partner	33.33	5,000	5,000
2. Liu Zhi	Limited partner	13.33	2,000	2,000
3. Li Xiaolei	Limited partner	13.33	2,000	2,000
4. Ma Jia	Limited partner	10.00	1,500	1,500
5. Shangguan Jianliang	Limited partner	10.00	1,500	1,500
6. Liu Tingting	Limited partner	10.00	1,500	1,500
7. Wu Yanlin	Limited partner	10.00	1,500	1,500
8. Ruizhao Investment	—	—	85,000	—
Total		<u>100.00</u>	<u>100,000</u>	<u>15,000</u>

On October 21, 2019, Jiumaiying Investment transferred its entire equity interest in Beijing Jiujiafa to Ruizhao Investment at a consideration of approximately RMB0.1 million determined with reference to (i) the paid-up capital it contributed to Beijing Jiujiafa plus (ii) accumulative profits from the Jiu Mao Jiu restaurants managed by Beijing Jiujiafa up to June 30, 2019 allocated to Jiumaiying Investment.

14. Up until October 12, 2019, Hainan Jiujiahong was owned as to 85% by Ruizhao Investment and as to 15% by Haikou Jiujuxiang Catering Management Partnership (Limited Partnership) (海口九聚香餐飲管理合夥企業(有限合夥)) (“**Haikou Jiujuxiang**”), a limited partnership owned by our employees, each of whom invested in the limited partnership with his/her own fund. Haikou Jiujuxiang became the shareholder of Hainan Jiujiahong through purchasing 15% equity interest in Hainan Jiujiahong from Pin Xin Yue Gu, which established and wholly owned Hainan Jiujiahong on September 1, 2016, at a consideration of RMB750,000 determined with reference to the then registered capital of Hainan Jiujiahong on March 4, 2019. Details on Haikou Jiujuxiang, its partners and the capital contributions attributable to the partners of Haikou Jiujuxiang and Ruizhao Investment in Hainan Jiujiahong as of October 12, 2019 are set forth below:

Name	Role in Haikou Jiujuxiang	% of interest in Haikou Jiujuxiang	Capital contributions subscribed for in Hainan Jiujiahong (RMB)	Paid-up amount attributable to the relevant individual/entity (RMB)
1. Wu Youming	General partner	33.33	250,050	100,020
2. Zhuang Weihui	Limited partner	13.33	100,050	40,020
3. Liu Kunfeng	Limited partner	13.33	100,050	40,020
4. Li Hongwei	Limited partner	13.33	100,050	40,020
5. Liu Yong	Limited partner	6.67	49,950	19,980
6. Lei Bo	Limited partner	6.67	49,950	19,980
7. Deng Erxiang	Limited partner	6.67	49,950	19,980
8. Liang Wanxian	Limited partner	6.67	49,950	19,980
9. Ruizhao Investment	—	—	4,250,000	1,700,000
Total		<u>100.00</u>	<u>5,000,000</u>	<u>2,000,000</u>

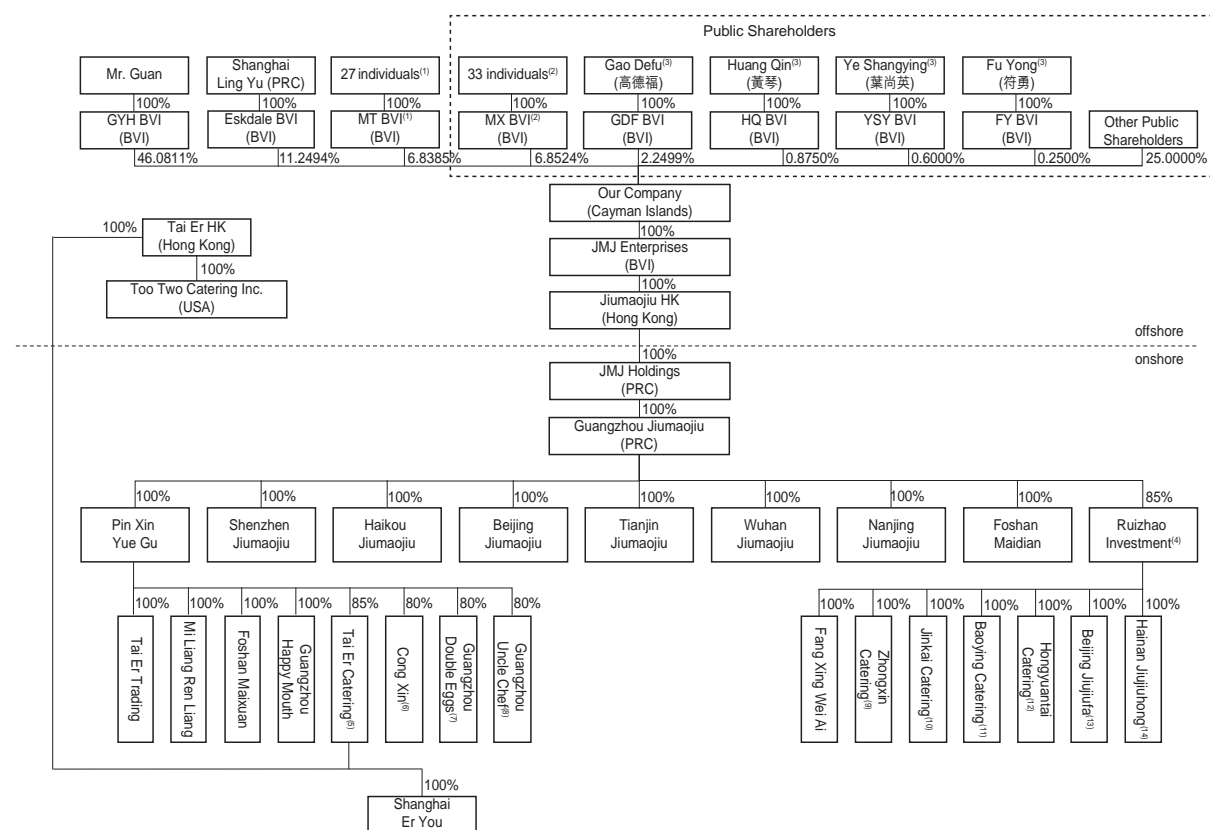
On October 12, 2019, Haikou Jiujuxiang transferred its entire equity interest in Hainan Jiujiahong to Ruizhao Investment at a consideration of RMB0.5 million determined with reference to (i) the paid-up capital it contributed to Hainan Jiujiahong plus (ii) accumulative profits from the Jiu Mao Jiu restaurants managed by Hainan Jiujiahong up to June 30, 2019 allocated to Haikou Jiujuxiang.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

15. On June 5, 2019, Mr. Guan acquired 0.3056% equity interest in Guangzhou Jiumaojiu from Luo Xiaojun at a consideration of approximately RMB3.1 million as determined after arm's length negotiations of the parties. Save for such share transfer between Mr. Guan and Luo Xiaojun, there is no other change in the beneficial interest of the ultimate individual shareholders in Guangzhou Jiumaojiu prior to and after the Reorganization.
16. The general partners and limited partners of the partnerships set out in note 4 to note 14 above which are the minority shareholders of our PRC subsidiaries are all our employees or former employees. Each of these general partner(s) and limited partner(s) is an independent third party (other than being an indirect shareholder of our subsidiary(ies)), except for Deng Erxiang, He Chengxiao, Huang Zhaohong, Li Weiye, Liao Yuyan, Cai Yongxiang, Chen Jinjin and Fu Tianliang, each of whom is either a director or general manager of a subsidiary of us or a director of a subsidiary in the last 12 months. He/she was eligible to invest in and become one of the beneficial owners of one of our PRC subsidiaries when he/she (i) was one of our brand managers or any member of our brand managers' respective team who established the subsidiary for the brand he/she managed together with us with his/her own fund; (ii) became a member of our brand management team with a title of regional manager or above; or (iii) became one of our annual outstanding employees from a specific brand team.

Corporate Structure Immediately Following the Global Offering

The following chart sets forth our corporate structure immediately after the completion of the Global Offering, assuming the Over-allocation Option is not exercised:



Note:

See notes from page 113 to page 120.

COMPLIANCE WITH THE PRC LAWS

SAFE Circular 37

According to SAFE Circular 37 promulgated by SAFE, PRC residents are required to register with competent local SAFE branches regarding establishing or controlling offshore companies. Pursuant to the Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or Circular 13, which was promulgated by the SAFE on February 13, 2015 and effective from June 1, 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks instead of the local branch of the SAFE.

As confirmed by our PRC Legal Advisor, our Shareholders who are PRC residents under SAFE Circular 37 had completed the process of initial registration on April 12, 2019.

M&A Rules

On August 8, 2006, the MOFCOM, SASAC, SAT, SAIC, the CSRC and SAFE jointly issued M&A Rules, which became effective on September 8, 2006 and was amended by the MOFCOM on June 22, 2009. According to the M&A Rules, (i) a takeover of a domestic enterprise by a foreign investor was defined as a foreign investor purchases the equity interests of a domestic non-foreign-invested enterprise (“**domestic enterprise**”) or subscribes for the increased capital of a domestic enterprise, and thus changes the domestic enterprise into a foreign-invested enterprise; or a foreign investor establish a foreign-invested company, through which such foreign investor purchases the assets of a domestic enterprises and operates its assets; or a foreign investor purchases the assets of a domestic enterprise, and then uses such assets to invest in and establish a foreign-invested enterprise through which it operates the assets; (ii) where a domestic company, enterprise or natural person intends to acquire its or his/her domestic company in the name of an offshore company which it or he/she lawfully establishes or controls such that it becomes a foreign invested enterprise, the acquisition shall be subject to the examination and approval of the MOFCOM.

As advised by our PRC Legal Advisor, (i) the acquisition of 5% equity interest in Guangzhou Jiumaojiu by Sure Win Investments Limited was subject to the M&A Rules but no approval from the MOFCOM was required, and (ii) the acquisition of equity interests in Guangzhou Jiumaojiu by JMJ Holdings should be governed by the Several Provisions on the Alteration of Investors’ Equities in Foreign Investment Enterprises (《外商投資企業投資者股權變更的若干規定》) instead of the M&A Rules as Guangzhou Jiumaojiu was a Sino-foreign joint venture at the time of the acquisition.

As advised by our PRC Legal Advisor, the abovementioned acquisitions comply with relevant PRC laws and legislations, and no prior approval from the MOFCOM or CSRC under M&A Rules was applicable to the aforesaid acquisitions. Further, our PRC Legal Advisor has confirmed that the equity transfers as described above have been properly and legally completed. Our PRC Legal Advisor has also confirmed that all applicable regulatory approvals in relation to all equity transfers described in this section, related to our PRC subsidiaries have been obtained and the procedures involved have been carried out in accordance with all applicable PRC laws and regulations.

BUSINESS

OVERVIEW

We are a leading Chinese cuisine restaurant brand manager and operator in China, focusing on serving cuisines with quick services, and creating a casual and upscale ambience with modern decoration of our restaurants which are primarily located in shopping malls. As of the Latest Practicable Date, we operated 287 restaurants and managed 41 franchised restaurants, covering 39 cities in 15 provinces and four municipalities in China. According to Frost & Sullivan, our two major brands, Jiu Mao Jiu ranked second among all northwestern Chinese cuisine restaurants in China, and Tai Er ranked first among all Chinese sauerkraut fish restaurants in China, both in terms of revenue in 2018.

In pursuit of our philosophy of serving delicacies at affordable prices (“好吃不貴”), we are fully devoted to providing marvelous dining experience to our customers through exquisite dishes, high-quality services and unique dining ambience. Innovation has been deeply rooted in our corporate culture. Throughout our operating history of more than two decades, we have been constantly improving our recipes, services and restaurant style to cater to the prevailing market trend and customers’ preferences.

We currently manage and operate five self-developed distinctive brands, namely, Jiu Mao Jiu, Tai Er, Double Eggs, Cooking Spicy Kebab and Uncle Chef. The following table sets forth the features and business scale of each of the five brands as of the Latest Practicable Date.

Brands	Jiu Mao Jiu	Tai Er	Double Eggs	Cooking Spicy Kebab	Uncle Chef
					那未大叔
Theme cuisines/dish . . .	Northwestern Chinese cuisines incorporating food styles of other regions of China	Pickled Chinese sauerkraut fish (老饅子酸菜魚)	Chinese style crepes (煎餅)	Sichuan cold pot skewers (冷鍋串串)	Delicate Cantonese cuisines
Brand orientation	Reliable and hygienic dining (放心餐桌)	Unique and amusing	Healthy, convenient and fast	Stylish gathering place	Your classy chef
Target customers	Families and groups	Young customers	Young customers	Young customers	Medium to high-end customers
Average spending per customer	RMB50–70	RMB70–90	RMB20–30	RMB50–70	RMB120–150
GFA per restaurant	250–400m ²	200–300m ²	10–40m ²	120–200m ² ⁽¹⁾	300–500m ² ⁽¹⁾
Number of restaurants as of the Latest Practicable Date	Self-operated: 143	Self-operated: 121	Self-operated: 21 Franchised: 41	Self-operated: 1	Self-operated: 1

Notes:

- As of the Latest Practicable Date, we had (i) one Cooking Spicy Kebab restaurant with a GFA of 136m² and (ii) one Uncle Chef restaurant with a GFA of 388m². GFA of restaurants in the above table for these two brands refers to the range of the GFA of the new restaurants that we plan to open in the future.

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Jiu Mao Jiu and Tai Er are our two major brands which accounted for more than 98% of our total revenue during the Track Record Period.

Jiu Mao Jiu is our first restaurant brand and also the first chain restaurant brand in Southern China which features northwestern Chinese cuisine. According to Frost & Sullivan, Jiu Mao Jiu was ranked second in the northwestern Chinese cuisine market in China in terms of revenue in 2018.

Tai Er was ranked first among all sauerkraut fish restaurants in China in terms of revenue in 2018. We successfully developed Tai Er into a renowned brand by implementing several innovative operational and marketing measures which contributed to its tremendous growth during the Track Record Period. Our revenue from Tai Er increased from RMB67.8 million in 2016 to RMB540.2 million in 2018, representing a CAGR of 182.3%, and from RMB218.1 million for the six months ended June 30, 2018 to RMB538.1 million for the six months ended June 30, 2019, representing a growth of 146.8%. Since the launch in July 2015, the number of Tai Er restaurants had grown rapidly to 121 as of the Latest Practicable Date.

Jiu Mao Jiu and Tai Er have gained popularity and recognition among customers in their respective market segments. Jiu Mao Jiu was accredited as one of the “2018 China Catering Brand Power Top 100 Brands” (“2018年度中國餐飲品牌力百強品牌”) in 2018. Tai Er was ranked first in the list of “2019 Top Ten Sauerkraut Fish Restaurants in China” (“2019中國酸菜魚十大品牌”). Our WeChat Official Accounts have become an important platform for us to promote our brands and enhance customer loyalty. As of the Latest Practicable Date, the number of subscribers of our WeChat Official Accounts for Jiu Mao Jiu and Tai Er reached 3.8 million and 5.6 million, respectively.

Our total revenue increased from RMB1,164.3 million in 2016 to RMB1,892.8 million in 2018, representing a CAGR of 27.5%, and from RMB874.5 million for the six months ended June 30, 2018 to RMB1,237.1 million for the six months ended June 30, 2019, representing a growth of 41.5%.

We plan to open approximately 370 new self-operated restaurants from 2019 to 2021, among which approximately 240 restaurants are under Tai Er and approximately 54 restaurants are under Jiu Mao Jiu, and 76 restaurants are under our other brands. We aim to further increase our market share, penetrate the existing markets as well as expand our business into new markets in tier one cities, new tier one cities, provincial capitals and the cities around.

OUR COMPETITIVE STRENGTHS**Leading Chinese cuisine restaurant brand manager and operator**

We are a leading Chinese cuisine restaurant brand manager and operator in China. We manage and operate five distinctive brands, namely, Jiu Mao Jiu, Tai Er, Double Eggs, Cooking Spicy Kebab and Uncle Chef. In recognition of our achievements over the years, we have received numerous awards, including “2018 China Top 100 Catering Enterprises” (“2018年度中國餐飲百強企業”).

Our two leading brands, Jiu Mao Jiu and Tai Er, have gained popularity and recognition among customers in their respective market segments. According to Frost & Sullivan, Jiu Mao Jiu was ranked second in terms of revenue among all northwestern Chinese cuisine restaurants in China in 2018. As of the Latest Practicable Date, we had 143 Jiu Mao Jiu restaurants.

Our revenue from Jiu Mao Jiu increased from RMB1,092.3 million in 2016 to RMB1,334.0 million in 2018, representing a CAGR of 10.5%, and from RMB645.3 million for the six months ended June 30, 2018 to RMB682.8 million for the six months ended June 30, 2019, representing an increase of 5.8%. Our operating profit from Jiu Mao Jiu increased from RMB176.5 million in 2016 to RMB230.2 million in 2018, representing a CAGR of 14.2%, and from RMB116.3 million for the six months ended June 30, 2018 to RMB123.5 million for the six months ended June 30, 2019, representing an increase of 6.2%.

Tai Er is a pioneer and leader in the Chinese sauerkraut fish restaurant market. According to Frost & Sullivan, Tai Er was ranked first in terms of revenue among all sauerkraut fish restaurants in China in 2018. As of the Latest Practicable Date, we had 121 Tai Er restaurants in China. Our revenue from Tai Er increased from RMB67.8 million in 2016 to RMB540.2 million in 2018, representing a CAGR of 182.3%, and from RMB218.1 million for the six months ended June 30, 2018 to RMB538.1 million for the six months ended June 30, 2019, representing an increase of 146.8%. Our operating profit from Tai Er increased from RMB20.4 million in 2016 to RMB97.1 million in 2018, representing a CAGR of 118.0%, and from RMB49.0 million for the six months ended June 30, 2018 to RMB125.3 million for the six months ended June 30, 2019, representing an increase of 155.7%. Tai Er was ranked first in the list of “2019 Top Ten Sauerkraut Fish Restaurants in China” (“2019中國酸菜魚十大品牌”).

Chinese cuisine market in China has experienced a rapid growth during the Track Record Period and is expected to maintain its upward trend in the future. According to Frost & Sullivan, the total revenue of Chinese cuisine market in China increased at a CAGR of 9.4% from RMB2,381.5 billion in 2014 to RMB3,416.2 billion in 2018, and is forecasted to further grow at a CAGR of 8.3% to reach RMB5,501.8 billion in 2024. Restaurants focusing on Chinese sauerkraut fish sprang up in China and soon became widely welcomed by customers in recent years. There had been an upswing in the Chinese sauerkraut fish restaurant market during the Track Record Period, and such booming trend is expected to continue in the next few years. According to Frost & Sullivan, the total revenue of Chinese sauerkraut fish restaurant market in China is expected to surge at a CAGR of 33.7% from 2018 to 2024 to attain RMB70.5 billion in 2024.

BUSINESS

Leveraging our strong market position as a Chinese cuisine restaurant brand manager and operator in China and the experience we have accumulated in brand management over the years, we believe we will be able to seize market opportunities, maintain our market leadership and further build up our brand reputation to achieve continued and rapid growth in the fast growing market.

Highly standardized and scalable business model which facilitates rapid growth

Having acquired valuable experience over 23 years of history, we have gradually established a highly standardized and easily replicable business model which we have employed in the development of all our brands. Such business model has facilitated the rapid expansion of our restaurant network from 142 restaurants as of January 1, 2016 to 287 restaurants as of the Latest Practicable Date.

Our standardized business operations are demonstrated by the following aspects:

- *Concise selection of food choice.* The brands we developed during the Track Record Period were inceptioned with the concept of high degree of standardization. We endeavor to limit the number of dishes offered by each of our brands in order to streamline our procurement and logistics. For example, Tai Er is designed to feature pickled Chinese sauerkraut fish and no more than 23 other dishes are served. Such controlled food offerings help us pinpoint the desired food ingredients, cooking method and the food presentation and garnishing for each dish.
- *Central kitchens.* We have central kitchens in Guangdong, Hubei and Hainan. We also use supply centers from leading third-party supply chain in China, which produce semi-cooked products based on standardized recipes and procedures. In addition, we adopt centralized procurement procedures for all purchase orders and make centralized purchase orders through our procurement department. Central kitchens and centralized procurement procedures ensure consistency of the taste and quality of our food offerings as well as the timely delivery of food ingredients, which in turn allow us to enjoy economies of scale to a larger extent and achieve greater efficiency.
- *Standardized operating procedures.* We adopt standardized procedures covering most aspects of restaurant operations (including decoration, dishes, pricing policy, food preparation, maintenance of equipment and facilities, hygiene and cleaning of restaurant and employees' code of conduct). In addition, we have separated restaurants operating procedures into five stages, namely (i) inspection of food ingredients and supplies, (ii) cleaning and sterilization of food ingredients and supplies, (iii) food processing, (iv) food preparation and (v) food presentation and garnishing, and have easy-to-follow guidance and procedures for each step.
- *Staff training.* We provide comprehensive online and offline training programs for all our employees. We have established a training center at our headquarters to provide uniform training to our staff of all levels. We have also built an e-learning platform on which employees can access our online courses on operation procedures, guidelines and standards, information technology and corporate culture. Such consistent training ensures that we have sufficient personnel, from management team to front line restaurant staff, to support the development of new restaurants.

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Our strategy of focusing on shopping malls has contributed to our rapid growth of restaurant network. Since the opening of our first restaurant in shopping mall in 2010, we had opened 287 restaurants in shopping malls as of the Latest Practicable Date. Furthermore, we had been in cooperation with 102 shopping malls for over three years, and there were 49 shopping malls with restaurants under at least two of our brands as of the Latest Practicable Date. We have a team adopting standardized site screening and reviewing procedures during site selection. The resemblance in the business environment of shopping malls facilitates us in managing, operating, and overseeing our restaurants.

Capitalizing on our experience gained from Jiu Mao Jiu and Tai Er in developing a standardized business model and our established relationships with shopping malls, we believe we will be able to further expand our restaurant network into new markets in an efficient and systematic manner.

Our open, innovative and co-winning corporate culture enabling us to keep pace with market trends

Our corporate culture is the key to our ability to catch up with market trends. We have cultivated and nurtured an open, innovative and co-winning corporate culture, which encourages our staff to take inventive steps in managing and operating our brands. Under the leadership and support of Mr. Guan, our founder and Chief Executive Officer, and with our deep understanding of the catering industry, we are capable of swiftly responding to the ever-changing dining trends and customers' tastes. We have a product development division under each brand devoted to actively developing and refining our menu to cater for new market trends. We have also established a lab for each brand at our headquarters in order to constantly improve and refine our dishes.

We encourage brand-specific upgrades by offering flexibility and incentives to our brand teams. We grant our brand managers and their team members the opportunities to invest in and own certain equity interests in the brands they manage. By creating a direct connection between brand performance and rewards, we align the interest of brand teams with ours, and members of each brand are deeply motivated to collaborate and work together towards a common goal — to uplift the performance of their own brand.

We have seven functional departments in our headquarters, which are responsible for brand development and expansion, engineering, procurement and central kitchens and production, information technology, finance and organizational affairs, respectively, to support different brands we manage and operate. With the assistance of the functional departments, our brand teams can focus on identifying the needs of their target customers to further develop and refine dishes which meet the evolving market trends.

With a combination of our corporate culture, brand-specific management and incentive strategy and supportive functional departments, we successfully captured the market trends and developed multiple brands with distinctive concepts to satisfy the needs of various customer groups. Our ability to catch up with market trends is exemplified by the development of our two leading brands, Jiu Mao Jiu and Tai Er. Jiu Mao Jiu was initially established as a stand-alone street restaurant. We successfully seized the market opportunities brought by the booming prevalence of shopping malls in China and rapidly expanded the restaurant network of Jiu Mao Jiu since 2010. Further, we remodelled Jiu Mao Jiu into a chain restaurant brand to achieve standardization. Having captured the rising trend and increasing popularity of online social media among the younger generation, the unique dining experience we offer as well as

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our creative marketing and promotional strategies have established Tai Er as a brand widely welcomed by young customers who tend to share their dining experience online after dining in our Tai Er restaurants.

Relentless pursuit of excellent dining experience by providing quality food and services to build trusted and popular restaurant brands

We are committed to providing quality food and services to our customers, and we continually put efforts in offering high-quality food ingredients, delicate dishes, remarkable dining experience and interactive experience with customers and valuing essentials of catering industry which helped us build trusted and popular restaurant brands and enlarged loyal customer base.

- *Healthy and quality food ingredients.* We adopt comprehensive and extensive procurement procedures and have a set of strict criteria for selecting suppliers. We source some of our food ingredients only from a specific region where we believe, after rounds of tests and experiments, offers the most suitable source of ingredients for our dishes. For instance, we procure bass only from Foshan and custom-made gourmet sauerkraut, and we source rice only from Heilongjiang.
- *Delicate and exquisite dishes.* We endeavor to offer tasty cuisines with optimal presentation to our customers by constantly improving the quality and flavor of our dishes. For example, we review and update Jiu Mao Jiu menu quarterly based on evaluations from customers, and continuously refine our dishes which cater to the specific tastes of local customers. Taking our signature dish, pickled Chinese sauerkraut fish, as an example, we manually marinate the fish in special seasonings carefully selected and blended by us. We also strictly control the temperature and humidity of the place in which the sauerkraut is stored to cultivate its unique taste through natural fermentation. Furthermore, we present our dishes in the most optimal way to provide our customers with an excellent dining experience.
- *Superior services and distinctive dining experience.* Jiu Mao Jiu provides reliable and hygienic dining (“放心餐桌”) to families and groups with a warm and attentive dining experience. We offer free gifts to children and the elderly and birthday noodles at a discounted price. Tai Er provides pickled Chinese sauerkraut fish which is delicate, highly memorable and coveted by trendy and young customers. Tai Er pursues unique and interesting dining culture and builds rapport with customers through eye-catching and off-the-rail slogans, “Enjoy the fish, not your phone” (“好好吃魚，莫玩手機”) and “Cook the second most delicious sauerkraut fish in the universe” (“做宇宙第二好吃的酸菜魚”). Customers may access our one-stop services, which range from placing order, making payment to issuing receipts, with their mobile phones. With such services, our customers can have a moment of tranquility if they prefer not to be disturbed. On the other hand, our waiters’ workload on routine tasks can be reduced and more capacity can be devoted to giving immediate attention to our customers’ dining requests and having more value-added interactions with our customers.
- *Interactive platforms.* We introduce a variety of interesting and interactive activities for our online members to boost our sale of featured products on our online platforms and increase their frequency of visits to our restaurants. We have a team to carefully design the content for our online platforms to attract our customers.

With a combination of online and offline promotional campaigns, we believe our brand image would be further enhanced. As of the Latest Practicable Date, the number of subscribers of our WeChat Official Account for Jiu Mao Jiu reached 3.8 million. As of the Latest Practicable Date, our WeChat Official Account for Tai Er had more than 5.6 million subscribers, and the average number of views for each posting was more than 100,000, and Tai Er had more than 230 WeChat fans groups with more than 170,000 core fans.

Through our relentless pursuit of high-quality food ingredients, delicate dishes, remarkable dining experience and interactive experience with customers, we have built trusted and popular restaurant brands and attracted a large number of loyal customers, which are essential to our growth.

Stringent food safety and quality control system

We give prominence to our value of “conscionable enterprise, healthy quality” (“良心企業，健康品質”) and endeavor to opt for healthy food ingredients. We were among the first batch of Chinese restaurant brands which were selected as a “Model Enterprise for Quality Control and Improvement in the Catering Industry” (“餐飲業質量安全提升工程示範企業”) in 2017. We implement stringent food safety and quality control standards and measures covering different aspects of our operations, including (i) procurement, (ii) food processing, (iii) storage, (iv) logistics and (v) restaurant operations.

- *Procurement.* We set comprehensive standards for the selection of suppliers and the inspection of different categories of food ingredients and other supplies to ensure their safety and quality. In addition to the quality inspection carried out by us, we also require our suppliers to provide us with reports of food tests and regularly engage third parties to conduct quality inspection.
- *Food processing.* In addition to strictly complying with applicable food safety standards, laws and regulations, we voluntarily adopt the ISO22000 quality management system to maintain our food safety and quality standard. We also issue internal guidelines on quality control, detailing the quality control requirements for different aspects of our operations.
- *Restaurant operations.* We require our restaurants staff to carry out daily inspection on the cleanliness of the restaurant, hygiene and health conditions of restaurant staff and the expiry dates of our food ingredients. Our quality control department conducts, or engages third parties to conduct, regular and ad hoc spot-checks on our restaurants from time to time to identify and rectify potential quality and food safety issues. Moreover, we adopt open kitchens in most of our restaurants in order for our customers to monitor our operational procedures and eyewitness our high standard of food safety and quality control.
- *Staff training.* We continuously provide training programs to our restaurant staff to ensure that they have clear understandings on operating procedures and quality standards.

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Experienced and competent management team

We are led by an experienced, professional and competent management team. Our founder and Chief Executive Officer, Mr. Guan, has over 23 years of experience in the catering industry. Mr. Guan started the first restaurant in Haikou, Hainan in 1995, and has developed it into the trusted and renowned Jiu Mao Jiu for families and groups. The experience Mr. Guan has accumulated throughout the years in developing Jiu Mao Jiu underpins our successful development as a leading manager and operator of multiple restaurant brands with different styles. Our management team consists of experienced industry experts who have previously worked in multinational corporations in the catering industry, as well as employees who have been working with us since our establishment. A majority of the members of our senior management team possess over ten years of experience in the catering industry with diversified expertise and background, which we believe would facilitate synergies between them.

We believe that human resources are vital in the catering industry. We are devoted to providing staff training, cultivating a positive corporate culture and setting up incentive schemes to motivate our staff. For details, see “Business — Employees” and “Statutory and General Information — D. Share Incentive Schemes — Restricted Stock Unit Scheme” in Appendix IV. Our efforts have been reflected by the increasing retention rates of both of our management team and restaurant staff. We believe that our dedicated and experienced management team is instrumental to our future business development.

OUR GROWTH STRATEGIES

We aim to become a globally leading manager and operator of restaurant brands. We will pursue the following strategies to further expand our business:

Replicate our success through further expansion

According to Frost & Sullivan, driven by (i) the increasing urbanization rate in China, (ii) growing importance of catering services in shopping malls, (iii) prevalent dining out lifestyle and (iv) the development of online social media, the total revenue of the Chinese cuisine market in China is expected to grow at a CAGR of 8.3% from RMB3,416.2 billion in 2018 to RMB5,501.8 billion in 2024. We plan to continue our business expansion through replicating our successful business model to further penetrate the existing markets and enter into the new markets to seize the growth opportunities. Since the establishment of Jiu Mao Jiu in 1995, we have expanded its restaurant network to cities including Haikou, Guangzhou, Shenzhen, Beijing, Tianjin, Wuhan and Nanjing. Since the establishment of Tai Er in 2015, we have expanded its restaurant network into cities including Guangzhou, Haikou, Shenzhen, Shanghai, Tianjin, Wuhan, Hangzhou, Beijing, Xiamen, Shijiazhuang and Xi’an. We have also opened restaurants in Guangzhou and Shenzhen for other brands such as Double Eggs, Cooking Spicy Kebab and Uncle Chef. We plan to open 16 new Jiu Mao Jiu self-operated restaurants in 2019, mainly located in Guangzhou, Foshan and Shenzhen, with an aim to further penetrate the existing markets. Prior to the expansion of Jiu Mao Jiu restaurant network, we plan to further refine and update the menu of Jiu Mao Jiu restaurants (such as reducing the number of dishes from approximately 80 to 40 and further refining and perfecting these 40 dishes). We plan to open 60 new Tai Er self-operated restaurants in 2019, mainly located in tier one cities, new tier one cities and primarily provincial capitals. We will also expand the restaurant network of Double Eggs across China through the franchise model. Through the self-operated model, we plan to open 18 Jiu Mao Jiu restaurants, 80 Tai Er

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restaurants and 24 restaurants of other brands in 2020, and 20 Jiu Mao Jiu restaurants, 100 Tai Er restaurants and 36 restaurants of other brands in 2021. See “— Restaurant Operations — Development and Expansion Plans of Our Restaurant Network” and “Future Plans and Use of Proceeds — Use of Proceeds” for further details.

Continue to expand into more market segments by pursuing a multi-brand and multi-concept strategy

Jiu Mao Jiu, Tai Er, Cooking Spicy Kebab and Uncle Chef restaurants are mainly located in shopping malls. Featuring northwestern Chinese cuisines, Jiu Mao Jiu positions itself as a dining option for families and groups. Tai Er which features Chinese sauerkraut fish and Cooking Spicy Kebab which features cold pot skewers target young customers. Specializing in delicate Cantonese cuisines, Uncle Chef, on the other hand, targets medium to high-end customers with low price sensitivity. Being a modern fast food brand with a mission to render fast, convenient and affordable food services, the restaurant network of Double Eggs has extended to not only shopping malls, but also school zones and public transportation hubs. Our portfolio of brands offers a diverse set of cuisines, pricing policies and brand orientations attracting a wide spectrum of customers.

Our multi-brand and multi-concept strategy enables us to diversify business risks as each of our brands has their own features and brand orientation. Such strategy reduces the risks of competition among our restaurants given the target customer groups of our brands are different. Further, each of our brand teams can focus on developing the brand they are most familiar with, which facilitates the rapid growth of our brands.

We believe that our multi-brand and multi-concept strategy plays a vital role in our success. As of the Latest Practicable Date, we had no detailed plan to further expand into more market segments. We will continue to put persistent efforts in research and development to achieve and maintain an optimal portfolio of restaurant brands with a view to further expanding into more market segments, capturing market opportunities, broadening our customer base and ultimately increasing our market share.

Continue to strengthen our supply and support capabilities

We plan to further strengthen our supply and support capabilities. During the Track Record Period, we adopted a centralized procurement system under which almost all our purchase orders were handled by either our own central kitchens in Guangdong, Hubei and Hainan or supply centers from reputable third-party supply chain. Looking ahead, we plan to further strengthen our centralized procurement system which enables us to better leverage our economies of scale, effectively reduce procurement costs and enhance the profitability of our self-operated restaurants and franchisees. It contributes to the standardization of food supply and services, and we are in a position to achieve better control of food safety and quality. We plan to upgrade our existing central kitchens and their equipment and facilities as well as to open new central kitchens in order to enhance our supply chain capabilities to support our future expansion plan.

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Expand into the global markets to gain international presence

Chinese cuisine culture is rich and deep-rooted in the history. Having accumulated years of experience in the catering industry and talents development, we have developed multiple successful Chinese cuisine restaurant brands and fostered a robust human resources mechanism. Our highly standardized business model enables us to replicate our restaurants in the global markets. We are committed to expanding our restaurant network to other countries and regions so that our healthy and delicious Chinese cuisines could reach people from all around the world. We plan to prioritize cities in which a large number of Chinese people reside, such as Hong Kong, Singapore, Seattle, Los Angeles, San Francisco and Vancouver, for our future expansion. We believe that Chinese cuisines are appealing to not only overseas Chinese, but also foreigners. We will continue to further enhance the quality of our restaurants and provide alternative dining styles to attract customers globally.

We adopt a prudent approach for our global expansion. We will carry out comprehensive research on our overseas target markets and consider a broad range of factors such as the legal and regulatory environment, macro-economic performance as well as the social and cultural characteristics of each particular market. We will carefully evaluate and select appropriate markets for expansion. As of the Latest Practicable Date, we had no detailed plan to further expand into the global markets. We will keep an eye on available market opportunities and initiate our expansion plans into overseas market where appropriate.

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We are a leading Chinese cuisine restaurant brand manager and operator in China. We manage and operate five self-developed distinctive brands, with Jiu Mao Jiu and Tai Er as our leading brands. We also manage and operate three other brands, namely Double Eggs, Cooking Spicy Kebab and Uncle Chef during the Track Record Period. The following table sets forth our revenue by brands for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(In thousands, except for percentages)									
	(unaudited)									
Jiu Mao Jiu	1,092,329	93.8	1,203,566	81.9	1,334,045	70.5	645,254	73.8	682,790	55.2
Tai Er	67,810	5.8	244,025	16.6	540,232	28.5	218,067	24.9	538,109	43.5
Other brands	4,117	0.4	21,592	1.5	18,544	1.0	11,170	1.3	16,239	1.3
Total	1,164,256	100.0	1,469,183	100.0	1,892,821	100.0	874,491	100.0	1,237,138	100.0

Notes:

- In this table, other brands include restaurants operating under the brands of Double Eggs, Cooking Spicy Kebab, Uncle Chef, Bravo Sirloin (不怕虎牛腩), Coconut House (椰語堂) and Happy Mouth (咧嘴).
- During the Track Record Period, we also (i) opened six restaurants under the brand Bravo Sirloin (不怕虎牛腩), which primarily provided three distinctive sirloin dishes; (ii) opened one restaurant under the brand Coconut House (椰語堂), which primarily served coconut-related deserts and (iii) opened four restaurants under the brand Happy Mouth (咧嘴), which primarily provided various fish dishes. Due to under-performance and after consideration of the future growth potential, (i) we closed four Bravo Sirloin restaurants, and transferred our interests in the remaining two restaurants to the minority shareholder for nil consideration in 2018; (ii) we closed the Coconut House restaurant during its soft launch in 2016; and (iii) we closed three Happy Mouth restaurants during its soft launch and transferred our interests in the remaining restaurant to the minority shareholder for a consideration of RMB100,000 in June 2019. Revenue generated from these eleven restaurants accounted for 0.4%, 1.3%, 0.3% and 0.2% of our total revenue during the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019, respectively.

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During the Track Record Period, we generated substantially all of our revenue from restaurant operations. To a lesser extent, we also generated revenue from our delivery business, sales of specialities and others. The following table sets forth the breakdown of our revenue from each service line for the periods indicated.

	Years ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(In thousands, except for percentages)									
	<i>(unaudited)</i>									
Restaurant operations	1,133,363	97.3	1,352,384	92.1	1,688,503	89.2	784,734	89.7	1,117,084	90.3
Delivery business	24,411	2.1	104,831	7.1	188,960	10.0	83,251	9.5	106,014	8.6
Sales of specialities	1,506	0.2	1,709	0.1	949	0.1	335	0.1	697	0.1
Others	4,976	0.4	10,259	0.7	14,409	0.7	6,171	0.7	13,343	1.0
Total revenue	1,164,256	100.0	1,469,183	100.0	1,892,821	100.0	874,491	100.0	1,237,138	100.0

The following table sets forth our operating profit and operating profit margin by brands for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	Operating Profit	Operating Profit Margin	Operating Profit	Operating Profit Margin	Operating Profit	Operating Profit Margin	Operating Profit	Operating Profit Margin	Operating Profit	Operating Profit Margin
	(RMB in thousands, except for percentages)									
	%									
Jiu Mao Jiu	176,493	16.2	199,473	16.6	230,186	17.3	116,349	18.0	123,534	18.1
Tai Er	20,423	30.1	54,500	22.3	97,063	18.0	49,001	22.5	125,284	23.3
Other Brands	(1,232)	(29.9)	(2,484)	(11.5)	(9,540)	(51.4)	(4,436)	(39.7)	(7,386)	(45.5)
Total	195,684	16.8	251,489	17.1	317,709	16.8	160,914	18.4	241,432	19.5

Notes:

- In this table, other brands include restaurants operating under the brands of Double Eggs, Cooking Spicy Kebab, Uncle Chef, Bravo Sirloin (不怕虎牛腩), Coconut House (椰語堂) and Happy Mouth (咧嘴).
- We define operating profit as revenue deducting (i) raw materials and consumables used, (ii) staff costs, (iii) depreciation of right-of-use assets, (iv) other rentals and related expenses, (v) depreciation and amortization of other assets, (vi) utilities expenses and (vii) delivery service fees.
- The calculation of operating profit also includes central management cost allocated to each brand.

RESTAURANT OPERATIONS

Overview of Our Brands

Jiu Mao Jiu (九毛九)

Starting as a noodle restaurant in Haikou in 1995, we have built the brand of Jiu Mao Jiu into a renowned and beloved Chinese cuisine restaurant brand providing dining options for families and groups.

Cuisine and menu

Initially focusing on offering classic northwestern Chinese cuisine, Jiu Mao Jiu subsequently also provides dishes incorporating the food styles of other regions in China.

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One of the key tenets of Jiu Mao Jiu's business philosophy is to provide reliable and hygienic dining (“放心餐桌”) for families and groups. We offer typical family-oriented dishes on Jiu Mao Jiu's extensive menu, ranging from the iconic Shanxi noodle to other tasty household dishes. Currently there are approximately 60–80 dishes on our menu, which could be divided into three broad categories: Shanxi noodles (山西麵), signature dishes (招牌菜) such as our best-selling main courses and stir-fried specials, and side dishes (搭配菜) such as appetizers and desserts. We use high quality ingredients in the food preparation processes and specifically mark the origins of our ingredients on the menu of Jiu Mao Jiu restaurants. We track and evaluate the sales and customers' feedbacks on our dishes, and review and update our menu quarterly based on evaluations. We also continuously refine our dishes, including their portion and prices, so as to respond to the evolving consumer trends. We update approximately 20%–30% of the items on our menu each year.

The average spending per customer in our Jiu Mao Jiu restaurants is around RMB50 to RMB70.

The following images show four of our dishes, which are birthday noodles (長壽麵), full-kilo gigantic pork ribs (二斤大骨頭), king-sized beef noodles (大塊牛肉麵) and stewed lentil noodles (幹香燜麵).



Birthday Noodles (長壽麵)



Full-kilo Gigantic Pork Ribs (二斤大骨頭)



King-sized Beef Noodles (大塊牛肉麵)



Stewed Lentil Noodles (幹香燜麵)

Ambience and service

We endeavor to create an appealing dining atmosphere for our guests. Our Jiu Mao Jiu restaurants are typically designed to incorporate the following elements:

- *Chinese red*, featuring a warm environment;
- *Image of noodle master*, featuring our expertise in Shanxi noodle to enhance the recognition of our brand; and
- *Pottery*, featuring a traditional atmosphere to demonstrate our tradition and character as a Chinese household cuisine provider.

We will continue to adjust and upgrade the interior designs of our Jiu Mao Jiu restaurants to adapt to the ever-changing taste of our customers. A Jiu Mao Jiu restaurant is generally spaced between 250 to 400 square meters and on average can accommodate approximately 180 guests with approximately 45 tables. We have adopted a set of strict table service standards to meet the expectations of our guests and enhance service efficiency. Orders from our guests are entered to our central IT system, which is automatically transmitted to both the restaurant kitchen and cashier, so as to reduce error and ensure the efficiency of service. Most of our Jiu Mao Jiu restaurants also support smart QR code menu ordering where our customers can place orders with their smart phones and the orders are transmitted to both the restaurant kitchens and cashiers on a real time basis.

Tai Er (太二)

We opened our first Tai Er restaurant in 2015, aiming to serve young and fashion-conscious customers. Tai Er pioneered as a unique and interesting Chinese cuisine restaurant brand featuring sauerkraut fish with high popularity among the young group.

Cuisine and menu

We aim to keep our menu simple and fascinating, and our food tasty and impressive. We only maintain one core dish in our menu — the pickled Chinese sauerkraut fish. We also offer other side dishes typically welcomed by young customers but we strive to keep the menu concise. We believe, for Tai Er, the simplest is the most elegant. Thus, we offer no more than 23 dishes other than our featured pickled Chinese sauerkraut fish in Tai Er. The average spending per customer in our Tai Er restaurants ranges from around RMB70 to RMB90. The following images show our core dish, Pickled Chinese Sauerkraut Fish (老蠔子酸菜魚) and one of the side dishes, Soft Glutinous Rice Cakes in Meringue (蛋酥軟糍粑).



Pickled Chinese Sauerkraut Fish
(老蠔子酸菜魚)



Soft Glutinous Rice Cakes in Meringue
(蛋酥軟糍粑)

Key ingredients and food preparation

We endeavor to use high quality food ingredients that are commercially available to us. Many of our major ingredients are only available from specialized suppliers. For example, after several tests and experiments, we currently only purchase fresh bass from selected sites in Foshan, the most suitable sources for our sauerkraut fish. The soul of our pickled Chinese sauerkraut fish dish is the sauerkraut. We purchase custom-made gourmet sauerkraut, which are pickled in traditional Chinese pottery pots, and further stored in an environment at an optimal temperature and humidity set by us. This delicate process ensures the unique taste of the sauerkraut used in Tai Er restaurants and contributes to the popularity of our sauerkraut fish.

We make our dishes with a spirit of craftsmanship. For example, as a demonstration of our delicate and unique food preparation style, we introduce daisy petal element in our dishes. Our standardized yet attentive food preparation process enables us to consistently provide tasty food and unique and interesting dining experience to our customers.

Ambience and service

We provide our guests with unique dining experience in our Tai Er restaurants. For example, our restaurants make extensive use of engraved woods as decoration with a view to creating a simple and wonderful restaurant atmosphere. We also have various slogans posted in our restaurants to amuse our guests. The following images show the interior designs of some of our Tai Er restaurants.



Tai Er pursues unique and interesting dining culture and builds rapport with customers through eye-catching and off-the-rail slogans, “sauerkraut is more delicious than fish” (“酸菜比魚好吃”) for example. Our waiters interact with our guests as buddies and close friends, rather than mere waiters in the traditional sense. Furthermore, Tai Er offers one-stop services, where our customers may access on their mobile phone from placing order, making payment to issuing receipts. With such initiative, our customers can have a moment of tranquility if they prefer not to be interrupted. On the other hand, our waiters could be released from routine tasks and be devoted to giving immediate attention to the customers’ dining requests and having more value-added interactions with our customers.

A Tai Er restaurant is generally spaced between 200 to 300 square meters and can accommodate approximately 110 guests with approximately 33 tables.

Other Brands

Beyond Jiu Mao Jiu and Tai Er, we also manage and operate a series of other brands.

Double Eggs

Double Eggs (2顆雞蛋煎餅), initiated in 2017, is a modern fast food brand currently operated under both the self-operated model and the franchise model. Double Eggs operates in places with high pedestrian flow, including shopping malls, school zones and public transportation hubs, and takes advantage of such pedestrian flow by providing convenient food services. Double Eggs infuses traditional Chinese crepes with modern elements to target young customers. Our brand orientation is “healthy, convenient and fast.” We use seven to eight ingredients in making one crepe to fill it with essential nutrients. In our Double Eggs restaurants, customers typically use smart phones to place orders and make payments. Once an order is placed, it is displayed on the screen in the kitchen, and our chefs will finish making the crepe in around two to three minutes. Currently we have several types of crepes on our menu, and we update our menu approximately every one and a half months. We also have a

DIY option in our offerings, through which customers can choose their favorite ingredients for the crepe. The average spending per customer in our Double Eggs restaurants is around RMB20 to RMB30.

The Double Eggs restaurants are decorated with yellow and white as main colors, featuring the two basic ingredients of a crepe, egg and flour, and are generally spaced between 10 to 40 square meters. A majority of customers come to Double Eggs restaurants for take-away crepes which can be served in a short time, and thus a typical Double Eggs restaurant does not have dine-in option. The following images show the interior designs of one of our Double Eggs restaurants and the crepes we offer.



Cooking Spicy Kebab

Cooking Spicy Kebab (撻) was launched in 2019, targeting young customers. This playful brand name means that we love our customers and we create an environment where our customers feel that “*everything they say is right*” (你说的都对). Our core dish is cold pot skewers (冷锅串串), which is originated from Chengdu City, Sichuan Province. We also include delicious Sichuan specials in our menu. The average spending per customer is around RMB50 to RMB70. The current Cooking Spicy Kebab restaurant has a GFA of 136 square meters. Our new Cooking Spicy Kebab restaurants are expected to be spaced between 120 and 200 square meters and operated under the self-operated model.

The following images show the interior designs of the Cooking Spicy Kebab restaurant we currently operate and the major dish we offer.



Uncle Chef

Uncle Chef (那未大叔是大廚) was launched in 2019, targeting medium to high-end customers. With the brand name Uncle Chef, we build an image of a diligent uncle chef specializing in Cantonese cuisine. We adopt a multi-tier membership scheme and offer privileges to our VIP guests by providing them with private dining areas and customized menus. The average spending per customer ranges from RMB120 to RMB150, and the number of our dishes offered are no more than 35. The Uncle Chef restaurants are designed to be decorated in a low-key yet luxury style with dark blue and gold as main colors. The current Uncle Chef restaurant has a GFA of around 380 square meters. Our new Uncle Chef restaurants are expected to be spaced between 300 and 500 square meters and operated under the self-operated model.

The following images show the interior designs of the Uncle Chef restaurant we currently operate and some of the dishes we offer.



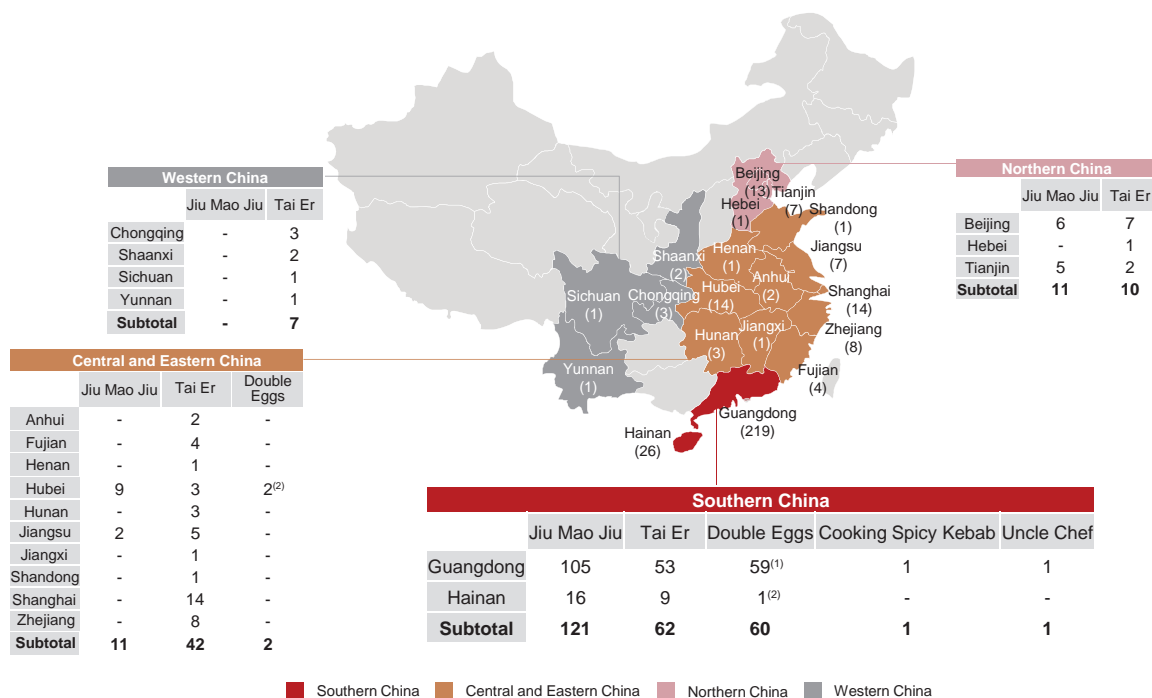
Restaurant Network

During the Track Record Period, the number of our self-operated restaurants increased from 142 as of January 1, 2016 to 262 as of June 30, 2019, and further increased to 287 as of the Latest Practicable Date. The number of our franchised Double Eggs stores, which were initiated in the second half of 2018, increased to 35 as of June 30, 2019, and further increased to 41 as of the Latest Practicable Date. As of the Latest Practicable Date, we owned and operated 143 Jiu Mao Jiu restaurants, 121 Tai Er restaurants, 21 Double Eggs restaurants, one Cooking Spicy Kebab restaurant and one Uncle Chef restaurant, and managed 41

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franchised Double Eggs restaurants. Restaurants under our brands cover 39 cities in 15 provinces and four municipalities in the PRC as of the Latest Practicable Date. Our restaurants are typically located in shopping malls.

The map below demonstrates the geographic location of restaurants in our network as of the Latest Practicable Date.



Notes:

- The 59 Double Eggs restaurants comprise 21 self-operated and 38 franchised Double Eggs restaurants.
- All of these Double Eggs restaurants are franchised restaurants.

See “— Restaurant Operations — Restaurant Performance” for a breakdown of restaurants under each of our brands by tier of cities during the Track Record Period.

Development and Expansion Plans of Our Restaurant Network

The actual number, location and timing of new restaurant openings in any period will be affected by a number of controllable and uncontrollable factors. We may make necessary adjustment to the number, location and timing of planned new restaurant openings depending on the existing market conditions, the status of pre-opening development and the preparation for the relevant restaurants. Based on the estimated growth in the Chinese cuisine market in China, our Directors are of the view that there is sufficient demand to support our expansion plans.

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Jiu Mao Jiu

Recent development of Jiu Mao Jiu

The chart below summarizes the movement in the number of our Jiu Mao Jiu restaurants during the Track Record Period and up to the Latest Practicable Date.

	Year ended December 31,			Six months ended June 30,	From July 1, 2019 to the Latest Practicable Date
	2016	2017	2018	2019	
Jiu Mao Jiu					
Restaurant count at the beginning of the period . . .	138	128	139	147	149
Newly opened restaurants	3	17	16	10	1
Closed restaurants	13	6	8	8	7
Net increase/ (decrease)	(10)	11	8	2	(6)
Restaurant count at the end of the period	128	139	147	149	143 ⁽¹⁾

Note:

- As of the Latest Practicable Date, four Jiu Mao Jiu restaurants had suspended their operations since they had not been able to complete the applications for the relevant Fire Safety Inspection Approvals due to issues attributable to the owners of the relevant properties or the nature of such properties. See “— Fire Safety — Update on Our Fire Safety Compliance” for more details.

The closing down of certain Jiu Mao Jiu restaurants was primarily due to (i) our own evaluation decision of their underperformance and (ii) the termination of the relevant lease agreements. See “— Operations Management — Evaluation of Our Restaurant Performance” for more information.

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Expansion plan of Jiu Mao Jiu

To open a new Jiu Mao Jiu restaurant, we primarily incur costs of interior designs and renovation, fitting of kitchen equipment, furniture and equipment. We incurred an average cost of approximately RMB2.5 million, RMB2.4 million, RMB2.7 million and RMB2.4 million to open a new Jiu Mao Jiu restaurant for the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019. The table below summarizes our expansion plan for Jiu Mao Jiu restaurants:

Expansion Plan of Jiu Mao Jiu

	2019	2020	2021
Number of new openings in			
Tier 1 cities	5	12	15
New tier 1 cities	1	1	1
Tier 2 cities	5	3	3
Tier 3 cities and below	5	2	1
Total number of new openings	16	18	20
Estimated average investment cost/ restaurant (RMB in thousands) . . .		2,500	
Amounts incurred and committed from January 1, 2019 to the Latest Practicable Date (RMB in thousands)		25,530	
Source of funds		Own funding and proceeds from the Global Offering	

Note:

- Rental deposits for the new restaurants are excluded. From January 1, 2019 to the Latest Practicable Date, rental deposits amounted to RMB1.9 million.

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Tai Er

Recent development of Tai Er

The chart below summarizes the movement in the number of our Tai Er restaurants during the Track Record Period and up to the Latest Practicable Date.

	Year ended December 31,			Six months ended June 30,	From July 1, 2019 to the Latest Practicable Date
	2016	2017	2018	2019	
Tai Er					
Restaurant count at the beginning of the period . . .	4	13	28	65	91
Newly opened restaurants	9	16	37	26	30
Closed restaurants	—	1	—	—	—
Net increase	9	15	37	26	30
Restaurant count at the end of the period	13	28	65	91	121 ⁽¹⁾

Note:

- As of the Latest Practicable Date, one Tai Er restaurant had suspended its operation since it had not been able to complete the application for the relevant Fire Safety Inspection Approval due to issues attributable to the owner of the relevant property. See “— Fire Safety — Update on Our Fire Safety Compliance” for more details.

The closing down of one Tai Er restaurant was due to the termination of the relevant lease agreement by the landlord.

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Expansion plan of Tai Er

To open a new Tai Er restaurant, we primarily incur costs of interior design and renovation, fitting of kitchen equipment, furniture and equipment. We incurred an average cost of approximately RMB1.8 million, RMB1.9 million, RMB2.3 million and RMB2.3 million to open a new Tai Er restaurant for the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019. The tables below summarize our expansion plan for Tai Er restaurants:

Expansion Plan of Tai Er

	2019	2020	2021
Number of new openings in			
Tier 1 cities	27	28	40
New tier 1 cities	18	31	37
Tier 2 cities	11	19	21
Tier 3 cities and below	4	2	2
Total number of new openings	<u>60</u>	<u>80</u>	<u>100</u>
Estimated average investment cost/ restaurant (RMB in thousands)		2,500	
Amounts incurred and committed from January 1, 2019 to the Latest Practicable Date (RMB in thousands)		<u>126,523</u>	
Source of funds		<u>Own funding and proceeds from the Global Offering</u>	

Note:

- Rental deposits for the new restaurants are excluded. From January 1, 2019 to the Latest Practicable Date, rental deposits amounted to RMB17.7 million.

Other Brands

Recent development of other brands

The chart below summarizes the movement in the number of our self-operated Double Eggs restaurants during the Track Record Period and up to the Latest Practicable Date:

	Year ended December 31,			Six months ended June 30,	From July 1, 2019 to the Latest Practicable Date
	2016	2017	2018	2019	
Double Eggs (self-operated)					
Restaurant count at the beginning of the period	—	—	8	15	20
Newly opened restaurants	—	8	8	6	2
Closed restaurants	—	—	1	1	1
Net increase	—	8	7	5	1
Restaurant count at the end of the period	—	8	15	20	21

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In the six months ended June 30, 2019, one Cooking Spicy Kebab restaurant and one Uncle Chef restaurant were opened.

Expansion plans for other brands

We incurred an average cost of approximately RMB145,000, RMB186,000 and RMB189,000 to open a new self-operated Double Eggs restaurant for the years ended December 31, 2017 and 2018, and the six months ended June 30, 2019. We incurred approximately RMB1.4 million to open a new Cooking Spicy Kebab restaurant and RMB4.5 million to open a new Uncle Chef restaurant in the six months ended June 30, 2019. The table below summarizes our restaurant expansion plans for Double Eggs, Cooking Spicy Kebab and Uncle Chef:

	Double Eggs (for self-operated restaurants only)	Cooking Spicy Kebab	Uncle Chef
Number of new openings in			
2019	12	2	2
2020	15	5	4
2021	<u>20</u>	<u>10</u>	<u>6</u>
Estimated average investment cost/ restaurant (RMB in thousands) . . .	<u>150</u>	<u>2,000</u>	<u>5,000</u>
Amounts incurred and committed from January 1, 2019 to the Latest Practicable Date (RMB in thousands)⁽¹⁾	<u>1,517</u>	<u>1,434</u>	<u>4,523</u>
Source of funds	Own funding and proceeds from the Global Offering	Own funding and proceeds from the Global Offering	Own funding and proceeds from the Global Offering

Note:

- Rental deposits for the new restaurants are excluded. From January 1, 2019 to the Latest Practicable Date, rental deposits amounted to RMB0.5 million, RMB0.3 million and RMB0.3 million for new restaurants opened under Double Eggs, Cooking Spicy Kebab and Uncle Chef, respectively.

For our Double Eggs restaurants operated under the franchise model, the information system and standard procedures of opening a new franchised restaurant have been established and modeled, and we plan to accomplish the establishment of personnel training system and logistics system in the near future in preparation for the massive expansion of franchise-focused Double Eggs restaurants. We plan to have approximately 60 new franchise Double Eggs restaurants in 2019, 100 in 2020 and up to 300 in 2021. As our franchisees are responsible for essentially all of the capital required for new restaurant openings, we do not expect to incur significant capital expenditures for implementing our expansion plans. See “— Franchise Model” for more details.

Expansion management

We operate a highly standardized and scalable business model, and we believe that we will be able to continuously expand our restaurant network by replicating our established managerial and operational procedures and efficiently transferring knowledge and adopting best practices when opening new restaurants.

It is our common practice to initiate an expansion plan for a particular restaurant by conducting a detailed and comprehensive due diligence exercise. Such exercise will normally include researches on the overall market trend, the development schedule for new shopping malls and information in relation to the regulations, policies and taxation system of the cities where we intend to open our new restaurants. Upon the completion of the due diligence exercise, following our analysis and discussion, once we have decided to open a new restaurant, our seasoned negotiation team will conduct intensive negotiations with the commercial property developers, who may also be long-term cooperative partners with us. Following this stage, we will engage our long-entrusted construction team to carry out the interior construction project at our restaurant. The typical lead time from the commencement of site selection process to the opening of a restaurant is approximately six to nine months.

To facilitate the smooth opening of a new restaurant, we deploy at least one restaurant staff for each key operational function from our existing restaurants to the new restaurant. Our existing staff, who is familiar with our operational procedures, can use his or her experience and know-how to better coordinate the work in the new restaurant as well as lend support and introduce our standards and culture to new restaurant staff. The assistance of our existing well-trained staff ensures an efficient transfer of our operational procedures and best practices to newly opened restaurants. We from time to time recruit new staff and train them in our existing restaurants in preparation for the opening of new restaurants under the same brand.

We believe we will benefit from the successful execution of our expansion plan of increasing penetration of existing markets and expanding into new markets because a successful and healthy expansion will help us in the following respects:

- *Increase total sales.* The additions of new restaurants into our restaurant network are expected to increase our total revenue.
- *Increase market share.* According to Frost & Sullivan, the Chinese cuisine market in China is expected to grow at a CAGR of 8.3% from RMB3,416.2 billion in 2018 to RMB5,501.8 billion in 2024. We believe that our expansion plan will help us occupy more market share in a fragmented but fast-growing market.
- *Gain advantage over competitors.* We believe that opening new restaurants in the existing as well as new markets will help us (i) secure premium restaurants locations ahead of our competitors, (ii) prevent our competitors from opening new restaurants in locations that may adversely affect the sales of our existing restaurants, and (iii) lure customers away from our competitors.
- *Increase brand recognition.* An expanding restaurant network will increase our geographical presence, which we believe will help us further promote brands recognition among consumers.

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- *Improve cost efficiency.* We believe that an expanding restaurant network will improve cost efficiency by enabling us to (i) further strengthen our bargaining power over our suppliers and (ii) enjoy greater economies of scale.

Site Selection

We follow a disciplined approach in selecting sites for our new restaurants. We conduct thorough surveys when identifying suitable locations for our new restaurants, including site visits, pedestrian counts and extensive reviews of public data in order to collect the necessary information for our decision-making process. We have strong preference for top commercial districts in a city with convenient transportation and high pedestrian flow. In particular, we typically consider the following factors:

- location of the commercial district;
- population density in the commercial district;
- age distribution, average disposable income and ethnicity of consumers in the commercial district;
- spending pattern and dining habits of consumers in the commercial district;
- locations of other restaurants within the commercial district;
- estimated customer traffic at peak hours;
- structure of the building, availability of parking lots and advertising billboards;
- rental costs and estimated return on investment; and
- number and nature of competitors in the commercial district.

To reduce the competition among our own restaurants, we generally avoid opening restaurants under the same brand within the same commercial district. Our multi-brand and multi-concepts strategy helps reduce the risks of competition among our restaurants given the inherent needs of our customers to diversify their dining options. We also take into consideration populations, other demographic information and average disposable household income to minimize competition among our own restaurants.

Lease Arrangement

Our lease arrangements normally last for five years or longer. Our leases typically include a rent-free period of two to three months to facilitate the interior designs and renovation of the premises. During the Track Record Period, a substantial portion of the lease agreements for our restaurants were under variable rent arrangements under which our rent payable typically ranged from 8% to 11% of the revenue of the particular restaurant. Some of these leases also include a minimum rent payment clause pursuant to which we are required to pay the higher of the minimum rent or the contingent rent calculated with reference to the revenue of the restaurant. Other leases were under fixed rent arrangements.

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The following table sets forth the maturity profile of the lease agreements for our restaurants as at June 30, 2019, and the number and the revenue contribution of these restaurants for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue
	(in RMB thousands, except for the number of restaurants)									
Maturity profile of the lease agreements of our restaurants as of June 30, 2019										
Due within one year or at will	20	175,988	22	189,986	24	202,415	23	97,348	24 ⁽¹⁾	98,201
Due after one year but within two years	34	287,179	38	338,032	43	378,756	41	178,713	50	202,392
Due after two years but within three years	27	187,208	36	319,668	40	395,628	36	190,918	43	222,625
Due after three years but within four years	18	151,334	27	194,059	49	371,417	33	147,822	52	269,049
Due after four years	20	205,090	35	239,847	62	426,789	40	190,469	93	415,581
Total	119	1,006,798	158	1,281,593	218	1,775,005	173	805,270	262	1,207,848

Note:

1. Among these 24 restaurants, 12 of which have renewed their lease agreements, three of which have been negotiating commercial terms of their lease agreements or in the process of renewal, and nine of which have been or will be closed before or when their lease agreements expire.

For our central kitchens, we typically seek to enter into long-term lease agreements of ten years. The lease agreements will expire on February 28, 2030, December 31, 2025 and April 4, 2023 for the central kitchens in Guangdong, Hainan and Hubei, respectively.

Restaurant Performance

The following table sets forth certain key operational information with respect to our system-wide restaurants during the Track Record Period. Where applicable, the revenue in the table represents revenue from dine-in, delivery and sales of specialities. Revenue from delivery has not been taken into account in computation of seat turnover rate.

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	As of/for the year ended December 31,			As of/for the six months ended June 30,	
	2016	2017	2018	2018 <i>(unaudited)</i>	2019
Jiu Mao Jiu ⁽¹⁾					
Revenue (RMB in thousands) ⁽⁸⁾					
Tier 1 cities	647,399	717,762	793,860	381,234	406,229
New tier 1 cities	126,969	142,703	167,701	79,805	82,098
Tier 2 cities	136,786	131,678	140,351	70,821	63,980
Tier 3 cities and below	176,199	201,164	217,799	107,222	119,300
Overall	1,087,353	1,193,307	1,319,711	639,082	671,607
Number of restaurants (#)					
Tier 1 cities	69	71	78	75	76
New tier 1 cities	19	23	24	24	23
Tier 2 cities	18	20	18	19	19
Tier 3 cities and below	22	25	27	26	31
Overall	128	139	147	144	149
Average daily sales per restaurant (RMB) ⁽³⁾					
Tier 1 cities	26,048	28,133	29,796	29,102	29,717
New tier 1 cities	17,341	19,889	20,256	19,936	19,372
Tier 2 cities	17,525	20,131	20,555	19,989	21,513
Tier 3 cities and below	22,633	24,550	23,366	23,774	23,937
Overall	22,764	25,163	25,841	25,405	25,965
Average customers served per day per restaurant (#) ⁽⁴⁾					
Tier 1 cities	527	527	550	544	522
New tier 1 cities	368	400	385	386	367
Tier 2 cities	370	398	396	389	388
Tier 3 cities and below	494	496	458	459	430
Overall	472	485	486	482	464
Average spending per customer (RMB) ⁽⁵⁾					
Tier 1 cities	49	53	54	54	57
New tier 1 cities	47	50	53	52	53
Tier 2 cities	47	51	52	51	55
Tier 3 cities and below	46	49	51	52	56
Overall	48	52	53	53	56
Seat turnover rate (X) ⁽⁶⁾					
Tier 1 cities	2.8	2.6	2.6	2.6	2.5
New tier 1 cities	2.0	2.1	2.0	2.1	2.0
Tier 2 cities	2.2	2.3	2.2	2.2	2.1
Tier 3 cities and below	2.4	2.3	2.2	2.3	2.2
Overall	2.5	2.4	2.4	2.4	2.3

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	As of/for the year ended December 31,			As of/for the six months ended June 30,	
	2016	2017	2018	2018 <i>(unaudited)</i>	2019
Tai Er ⁽²⁾					
Revenue (RMB in thousands) ⁽⁸⁾					
Tier 1 cities	50,897	171,472	373,234	159,426	347,739
New tier 1 cities	—	—	28,322	—	56,002
Tier 2 cities	—	8,731	37,198	11,497	59,025
Tier 3 cities and below	16,913	63,823	101,478	47,144	74,437
Overall	67,810	244,026	540,232	218,067	537,203
Number of restaurants (#)					
Tier 1 cities	9	18	40	23	54
New tier 1 cities	—	—	7	—	15
Tier 2 cities	—	2	8	2	9
Tier 3 cities and below	4	8	10	8	13
Overall	13	28	65	33	91
Average daily sales per restaurant (RMB) ⁽³⁾					
Tier 1 cities	23,817	35,443	39,659	40,691	39,085
New tier 1 cities	—	—	30,919	—	33,454
Tier 2 cities	—	30,315	33,664	31,937	39,936
Tier 3 cities and below	24,231	29,589	32,703	32,968	34,816
Overall	23,919	33,506	37,168	38,190	37,866
Average customers served per day per restaurant (#) ⁽⁴⁾					
Tier 1 cities	359	493	535	552	508
New tier 1 cities	—	—	422	—	448
Tier 2 cities	—	459	490	473	561
Tier 3 cities and below	394	472	486	495	509
Overall	367	485	514	532	507
Average spending per customer (RMB) ⁽⁵⁾					
Tier 1 cities	66	72	74	74	77
New tier 1 cities	—	—	73	—	75
Tier 2 cities	—	66	69	68	71
Tier 3 cities and below	62	63	67	67	68
Overall	65	69	72	72	75
Seat turnover rate (X) ⁽⁶⁾					
Tier 1 cities	3.6	4.6	5.2	5.3	5.0
New tier 1 cities	—	—	3.9	—	4.2
Tier 2 cities	—	4.3	4.8	4.5	5.5
Tier 3 cities and below	3.6	4.0	4.2	4.3	4.3
Overall	3.6	4.5	4.9	5.0	4.9

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	As of/for the year ended December 31,			As of/for the six months ended June 30,	
	2016	2017	2018	2018 <i>(unaudited)</i>	2019
Double Eggs: self-operated					
Revenue (RMB in thousands) ⁽⁸⁾ .	—	2,546	12,728	5,565	9,333
Number of restaurants (#)	—	8	15	12	20
Average daily sales per restaurant (RMB) ⁽³⁾	—	2,738	3,329	3,041	3,118
Average customers served per day per restaurant (#) ⁽⁴⁾	—	138	166	147	152
Average spending per customer (RMB) ⁽⁵⁾	—	20	20	21	20
Double Eggs: franchised⁽⁷⁾					
Revenue (RMB in thousands) ⁽⁸⁾ .	—	—	2,770	—	11,417
Number of restaurants (#)	—	—	14	—	35
Average daily sales per restaurant (RMB) ⁽³⁾	—	—	2,618	—	2,602
Average customers served per day per restaurant (#) ⁽⁴⁾	—	—	144	—	133
Average spending per customer (RMB) ⁽⁵⁾	—	—	18	—	20
Cooking Spicy Kebab					
Revenue (RMB in thousands) ⁽⁸⁾ .	—	—	—	—	2,658
Number of restaurants (#)	—	—	—	—	1
Average daily sales per restaurant (RMB) ⁽³⁾	—	—	—	—	16,410
Average customers served per day per restaurant (#) ⁽⁴⁾	—	—	—	—	311
Average spending per customer (RMB) ⁽⁵⁾	—	—	—	—	53
Seat turnover rate (X) ⁽⁶⁾	—	—	—	—	4.6
Uncle Chef					
Revenue (RMB in thousands) ⁽⁸⁾ .	—	—	—	—	1,003
Number of restaurants (#)	—	—	—	—	1
Average daily sales per restaurant (RMB) ⁽³⁾	—	—	—	—	31,356
Average customers served per day per restaurant (#) ⁽⁴⁾	—	—	—	—	248
Average spending per customer (RMB) ⁽⁵⁾	—	—	—	—	127
Seat turnover rate (X) ⁽⁶⁾	—	—	—	—	1.8

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Notes:

1. Performance of Machang Restaurant which the Group operates is excluded. See "Relationship with Controlling Shareholders — Competing Interest."
2. The Group has 40.0% equity interest in a Tai Er restaurant ("Canada Tai Er") in Canada. However, that restaurant is under the operation of the Group's local partner and therefore its performance is not included. To maintain food and service quality and preserve the brand reputation of Tai Er, Canada Tai Er sends personnel to our Tai Er restaurants once a year to receive systematic training on restaurant management and operation. Tai Er's management team conducts site visits to Canada Tai Er around five times a year to provide on-site guidance and consultation. We evaluate the performance of Canada Tai Er in terms of food quality, food preparation and processing procedures, performance of restaurant staff and other operational matters. We make recommendations to Canada Tai Er based on the results of our evaluation.
3. Calculated by dividing revenue for the period by total restaurant operation days during the period.
4. Calculated by dividing total customer traffic for the period by total restaurant operation days during the period.
5. Calculated by dividing revenue for the period by total customer traffic for the period.
6. Calculated by dividing total customer traffic by the product of total restaurant operation days and average seat count during the period. Seat turnover rate does not apply to Double Eggs.
7. Franchised Double Eggs restaurants started in the second half of 2018.
8. Revenue is net of business tax and surcharges.

The growth of our revenue from restaurant operations is driven by (i) the expansion of our restaurant network and (ii) the increase in same store sales attributable to the increase in seat turnover rate and average spending per customer. For our Jiu Mao Jiu restaurants, the seat turnover rate slightly decreased during the Track Record Period as a result of the growth of the food delivery industry, which affected the customer traffic of the overall catering service market in China, and the average spending per customer slightly increased as a result of streamlined menu and increased side dish and beverage prices during the Track Record Period. Therefore, the growth of our revenue from Jiu Mao Jiu was primarily in line with the increase in the number of our Jiu Mao Jiu restaurants from 138 as at January 1, 2016 to 149 as at June 30, 2019. Our Tai Er restaurants, on the other hand, show outstanding operating performance in line with (i) its rapid expansion from four restaurants as of January 1, 2016 to 91 restaurants as of June 30, 2019 and (ii) an increase in the same store sales as a result of Tai Er's increasing popularity and recognition. As a result, revenue from Tai Er experienced rapid growth during the Track Record Period. Our other brands, namely Double Eggs, Cooking Spicy Kebab and Uncle Chef are in their early stage of development, and therefore the performance results of which fluctuate from periods to periods.

Initial Breakeven Period and Cash Investment Payback Period

In calculating the initial breakeven period and cash investment payback period for our restaurants, we assumed that our restaurants would continue to operate and took into account (i) the capital expenditure for renovation, construction and purchase of equipment and facilities, (ii) upfront costs incurred in the opening of restaurants, such as expenses on cleaning supplies, utensils, uniforms and other miscellaneous expenses, and (iii) the net cash flows from operations, being the sum of net profit after tax and the amount of depreciation and amortization.

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Initial breakeven period refers to the first month for the revenue of a newly opened restaurant to at least equal to its expenses. Cash investment payback period refers to the amount of time it takes for the cumulative net profit plus depreciation (excluding depreciation of right-of-use assets) and amortization to cover the costs to open a restaurant.

Most of our restaurants opened during the Track Record Period and in operation as of June 30, 2019, reached breakeven in the first full month of operation due to our strict development strategy.

The following table sets forth the number of loss-making restaurants, which refer to restaurants opened since the commencement of the Track Record Period that were in operation during the relevant year/period and did not achieve breakeven as of the end of the relevant year/period, by brand and their revenue contribution and restaurant-level operating losses incurred for the periods indicated.

	As of/for the year ended December 31,						As of/for the six months ended June 30,								
	2016		2017		2018		2018		2019						
	Number of Loss-making Restaurants	Operating Revenue Losses	Number of Loss-making Restaurants	Operating Revenue Losses	Number of Loss-making Restaurants	Operating Revenue Losses	Number of Loss-making Restaurants	Operating Revenue Losses	Number of Loss-making Restaurants	Operating Revenue Losses	Number of Loss-making Restaurants	Operating Revenue Losses			
	(In RMB thousands, except for number of restaurants)														
Jiu Mao Jiu	—	—	3	4,530	(951)	4	4,819	(818)	1	528	(19)	1	321	(24)	
Tai Er	1	33	(160)	1	732	(294)	5	939	(328)	—	—	—	2	574	(78)
Other Brands ⁽¹⁾	4	654	(507)	2	5,360	(653)	3	1,408	(334)	2	1,306	(218)	4	1,991	(2,030)
Total	5	687	(667)	6	10,622	(1,898)	12	7,166	(1,480)	3	1,834	(237)	7	2,886	(2,132)

Notes:

- In this table, other brands include restaurants operating under the brands of Double Eggs, Cooking Spicy Kebab, Uncle Chef, Bravo Sirloin (不怕虎牛腩), Coconut House (椰語堂) and Happy Mouth (咧嘴).
- We define restaurant-level operating profits/(losses) as operating profit excluding central management cost allocated to each brand.

Among the seven restaurants that were in operation during the six months ended June 30, 2019 and did not achieve breakeven as of June 30, 2019, three Happy Mouth restaurants were closed and one Happy Mouth restaurant was transferred to the minority shareholder in June 2019, and one Jiu Mao Jiu restaurant and one Tai Er restaurant subsequently achieved breakeven in July 2019. The remaining one Tai Er restaurant, which opened in May 2019 and is located in a newly opened shopping mall in Hangzhou, subsequently achieved breakeven in September 2019. Based on its performance since opening, the expected cash investment payback period for this Tai Er restaurant is 34 months. Before making the decision to open this Tai Er restaurant together with the opening of this new shopping mall in May 2019, we had conducted feasibility study regarding the location and traffic flow of the shopping mall, and taken into consideration of our strategic expansion plan in Hangzhou. However, the new shopping mall is still at a ramp-up stage and its traffic flow does not meet our expectation, resulting in the longer initial breakeven and cash investment payback periods of this Tai Er restaurant. To improve its profitability, we plan to renegotiate with the shopping mall to seek a lower rent, and reduce the number of restaurant staff.

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The following table sets forth the average cash investment payback period for our restaurants by brand based on their performance during the Track Record Period.

	Cash Investment Payback Period
Jiu Mao Jiu	22 months
Tai Er	7 months
Double Eggs: self-operated	15 months

The following table sets forth the number of restaurants opened since the commencement of the Track Record Period that were in operation during the relevant year/period and did not achieve cash investment payback as of the end of the relevant year/period, by brand and their revenue contribution and restaurant-level operating profits/(losses) for the periods indicated.

	As off for the year ended December 31,									As off for the six months ended June 30,					
	2016			2017			2018			2018			2019		
	Number of Restaurants	Revenue	Operating profits/ (losses)	Number of Restaurants	Revenue	Operating profits/ (losses)	Number of Restaurants	Revenue	Operating profits/ (losses)	Number of Restaurants	Revenue	Operating profits/ (losses)	Number of Restaurants	Revenue	Operating profits/ (losses)
	(In RMB thousands, except for number of restaurants)														
Jiu Mao Jiu	3	14,503	650	20	70,235	6,178	28	147,180	22,725	24	79,153	10,081	34 ⁽²⁾	102,197	11,264
Tai Er	7	13,238	2,894	13	41,152	9,703	35	120,300	22,288	8	40,113	6,860	43 ⁽³⁾	173,726	42,550
Other Brands ⁽¹⁾	6	4,117	(142)	14	21,592	5	15	10,988	8	12	8,646	142	20 ⁽⁴⁾	10,396	(1,719)
Total	16	31,858	3,402	47	132,978	15,887	78	278,468	45,021	44	127,913	17,083	97	286,319	52,095

Notes:

1. In this table, other brands include restaurants operating under the brands of Double Eggs, Cooking Spicy Kebab, Uncle Chef, Bravo Sirloin (不怕虎牛腩), Coconut House (椰語堂) and Happy Mouth (咧嘴).
2. Among the 34 Jiu Mao Jiu restaurants, one restaurant was closed in June 2019. The remaining 33 restaurants have been in operation for less than 22 months, and their average cash investment payback period is expected to be 22 months based on their performance since opening, which is in line with the historical average cash investment payback period for Jiu Mao Jiu restaurants.
3. The average cash investment payback period for the 43 Tai Er restaurants is expected to be ten months based on their performance since opening, which is longer than the historical average cash investment payback period for Tai Er restaurants as (i) some of them are opened in new markets according to our strategic expansion plan, and it took some time to build our brand awareness in such new markets, and (ii) some of them are located in newly-opened shopping malls that are still at a ramp-up stage, where customer traffic is relatively low.
4. Among the 20 restaurants under other brands, one self-operated Double Eggs restaurant was closed in May 2019, three Happy Mouth restaurants were closed and one Happy Mouth restaurant was transferred to the minority shareholder in June 2019. Ten self-operated Double Eggs restaurants have been in operation for less than 15 months, and their average cash investment payback period is expected to be 15 months based on their performance since opening, which is in line with the historical average cash investment payback period for self-operated Double Eggs restaurants. Three self-operated Double Eggs restaurants have been in operation for more than 15 months, and their average cash investment payback period is expected to be 36 months due to their higher investment costs as all of them were opened during the soft launch of self-operated Double Eggs. The cash investment payback periods for the remaining one Cooking Spicy Kebab restaurant and one Uncle Chef restaurant are expected to be 34 months and 25 months, respectively, based on their performance since opening.
5. We define restaurant-level operating profits/(losses) as operating profit excluding central management cost allocated to each brand.

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Same Store Sales

The following table sets forth details of our same store sales under our Jiu Mao Jiu, Tai Er and Double Eggs brands during the Track Record Period. Same store sales for a given period refer to the revenue of all restaurants that qualified as same stores during that period. We define our same store base to be those restaurants that opened for at least 300 days in both 2016 and 2017, and in both 2017 and 2018, and for at least 150 days both in the six months ended June 30, 2018 and 2019.

	For the year ended December 31,				For the six months ended June 30,	
	2016	2017	2017	2018	2018	2019
Jiu Mao Jiu						
Number of same stores						
Tier 1 cities	61		57		62	
New tier 1 cities	19		17		19	
Tier 2 cities	17		14		15	
Tier 3 cities and below	20		21		22	
Overall	117		109		118	
Same store sales (RMB in thousands)						
Tier 1 cities	584,144	632,644	580,545	627,521	334,593	341,995
New tier 1 cities	123,574	137,309	128,831	129,774	71,328	68,024
Tier 2 cities	117,467	124,304	102,982	105,423	52,799	56,796
Tier 3 cities and below	167,184	179,741	189,876	184,071	94,699	95,942
Total	992,369	1,073,999	1,002,235	1,046,789	553,418	562,756
Same store sales growth (%)						
Tier 1 cities	8.3		8.1		2.2	
New tier 1 cities	11.1		0.7		(4.6)	
Tier 2 cities	5.8		2.4		7.6	
Tier 3 cities and below	7.5		(3.1)		1.3	
Overall	8.2		4.4		1.7	

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	For the year ended December 31,				For the six months ended June 30,	
	2016	2017	2017	2018	2018	2019
	Average same store sales per day (in RMB)					
Tier 1 cities	26,318	28,584	28,109	30,632	30,130	30,794
New tier 1 cities	17,883	19,883	20,840	21,119	20,807	20,137
Tier 2 cities	18,980	20,085	20,204	20,988	19,672	21,256
Tier 3 cities and below	22,883	24,864	25,003	24,284	23,962	24,191
Overall	23,294	25,296	25,356	26,681	26,143	26,643
Same store seat turnover rate (times/day)						
Tier 1 cities	2.8	2.7	2.6	2.6	2.7	2.5
New tier 1 cities	2.0	2.1	2.1	2.0	2.2	2.1
Tier 2 cities	2.3	2.3	2.3	2.2	2.1	2.1
Tier 3 cities and below	2.3	2.3	2.3	2.1	2.4	2.1
Overall	2.5	2.4	2.4	2.4	2.5	2.3
Tai Er						
Number of same stores						
Tier 1 cities	4		10		19	
New tier 1 cities	—		—		—	
Tier 2 cities	—		—		2	
Tier 3 cities and below	1		5		8	
Overall	5		15		29	
Same store sales (RMB in thousands)						
Tier 1 cities	33,922	48,426	126,156	139,757	139,759	145,938
New tier 1 cities	—	—	—	—	—	—
Tier 2 cities	—	—	—	—	11,497	10,709
Tier 3 cities and below	9,719	10,181	55,242	55,560	47,144	50,668
Total	43,641	58,607	181,399	195,317	198,400	207,316
Same store sales growth (%)						
Tier 1 cities	42.8		10.8		4.4	
New tier 1 cities	—		—		—	
Tier 2 cities	—		—		(6.9)	
Tier 3 cities and below	4.8		0.6		7.5	
Overall	34.3		7.7		4.5	
Average same store sales per day (in RMB)						
Tier 1 cities	23,855	33,305	34,995	38,575	41,009	42,597
New tier 1 cities	—	—	—	—	—	—
Tier 2 cities	—	—	—	—	31,937	29,666
Tier 3 cities and below	27,072	28,203	30,776	30,696	32,968	35,235
Overall	24,504	32,290	33,592	35,950	38,168	39,678

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	For the year ended December 31,				For the six months ended June 30,	
	2016	2017	2017	2018	2018	2019
Same store seat turnover rate (times/day)						
Tier 1 cities	3.7	5.0	4.8	5.2	5.4	5.5
New tier 1 cities	—	—	—	—	—	—
Tier 2 cities	—	—	—	—	4.5	4.1
Tier 3 cities and below	3.9	4.1	4.0	3.8	4.3	4.5
Overall	3.8	4.8	4.5	4.7	5.0	5.1
Double Eggs: self-operated						
Number of same stores						
Tier 1 cities	—		—		6	
New tier 1 cities	—		—		—	
Tier 2 cities	—		—		1	
Tier 3 cities	—		—		—	
Overall	—		—		7	
Same store sales (RMB in thousands)						
Tier 1 cities	—	—	—	—	3,892	3,937
New tier 1 cities	—	—	—	—	—	—
Tier 2 cities	—	—	—	—	373	432
Tier 3 cities	—	—	—	—	—	—
Total	—	—	—	—	4,264	4,368
Same store sales growth (%)						
Tier 1 cities	—		—		1.2	
New tier 1 cities	—		—		—	
Tier 2 cities	—		—		15.8	
Tier 3 cities and below	—		—		—	
Overall	—		—		2.4	
Average same store sales per day (RMB)						
Tier 1 cities	—	—	—	—	3,551	3,632
New tier 1 cities	—	—	—	—	—	—
Tier 2 cities	—	—	—	—	2,071	2,384
Tier 3 cities and below	—	—	—	—	—	—
Overall	—	—	—	—	3,342	3,453

The growth of our same store sales is primarily affected by same store seat turnover rate and average spending per customer, and is in line with the expansion of our restaurant network. During the Track Record Period, despite there had been a slow down in the same store sales growth rate, the same store sales of Jiu Mao Jiu slightly increased primarily due to (i) an increase in average spending per customer as a result of streamlined menu and increased side dish and beverage prices for Jiu Mao Jiu and (ii) the increase of our delivery business. The same store sales of Tai Er increased rapidly due to (i) an increase in its seat turnover rate as a result of Tai Er's increasing popularity and recognition, and (ii) an increase

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in its average spending per customer as a result of streamlined menu and increased side dish and beverage prices for Tai Er. We are committed to further enhancing our financial performance by achieving higher same store sales growth through initiatives such as offering innovative menu items and combinations, enhancing dining experience to attract repeat customers, enhancing customer loyalty, attracting more customers during non-peak hours and increasing prices of our dishes.

Seasonality

Our business and operating results are subject to seasonal fluctuations because of several factors including holidays, school vacations and fluctuations in food prices. Historically, our sales, especially for Jiu Mao Jiu restaurants, were generally higher in July and August, and there was no distinguishable seasonality for Tai Er restaurants.

OTHER SOURCES OF REVENUE

Delivery Business

We began offering delivery services in March 2016 for our Jiu Mao Jiu restaurants and in 2017 for Double Eggs restaurants.

Our delivery services are designed to serve customers in the vicinity within 30 to 40 minutes of the placing of their orders. We offer our delivery services through third-party online food delivery platforms in the PRC. According to our arrangements with these third-party platforms, we agreed to pay 9.4% to 16% of the revenue generated through their platforms as commission fee. We are responsible for the costs and expenses incurred for food preparation and delivery. As we conduct all food preparation and deliveries for orders made on these platforms, we will be responsible for any liability related to these orders. For the years ended December 31, 2016, 2017, and 2018 and the six months ended June 30, 2018 and 2019, revenue from delivery business totaled RMB24.4 million, RMB104.8 million, RMB189.0 million, RMB83.3 million, and RMB106.0 million, respectively.

Sales of Specialities

During the Track Record Period, we also sold retail specialities such as health tea, vinegar and millet. Revenue generated from the sales of specialities amounted to RMB1.5 million, RMB1.7 million, RMB0.9 million, RMB0.3 million, and RMB0.7 million for the years ended December 31, 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019, respectively.

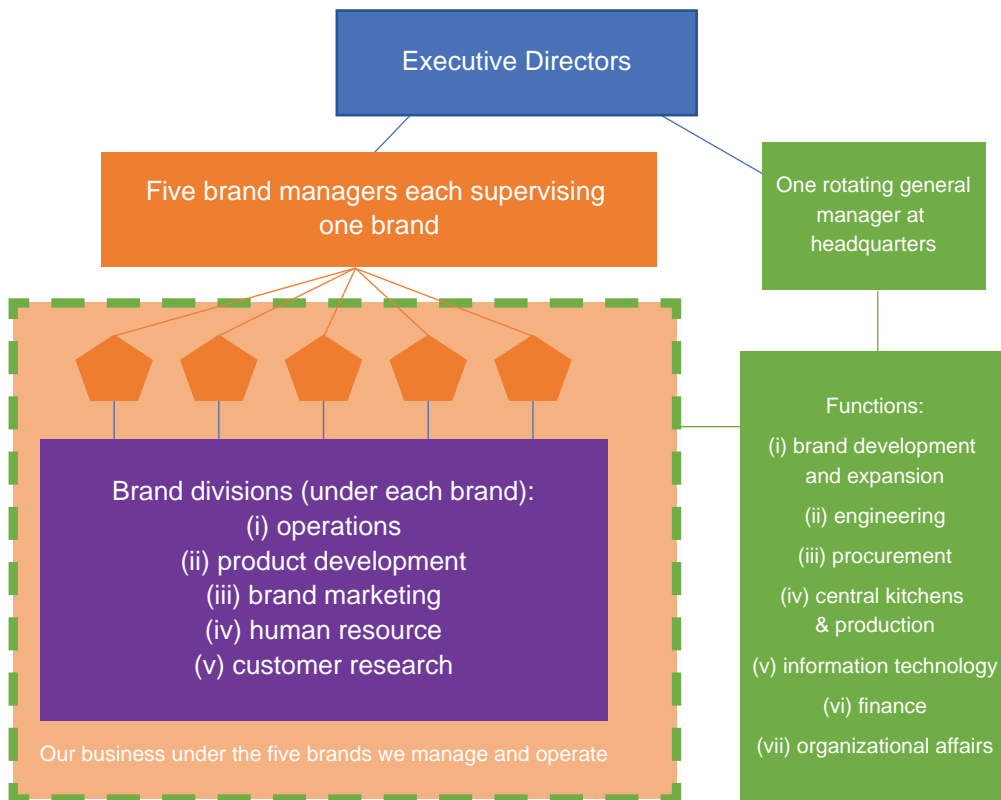
Others

During the Track Record Period, a small portion of our total revenue was generated from (i) franchise fee and other payments from franchisees of Double Eggs restaurants, and (ii) cooperation with Machang Restaurant where we receive all profits before taxes of Machang Restaurant for management of Machang Restaurant as well as fees for supply of food ingredients and semi-processed food to Machang Restaurant. See “Connected Transactions — Non-exempt Continuing Connected Transactions” for more information. For the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, revenue from others totaled RMB5.0 million, RMB10.3 million, RMB14.4 million, RMB6.2 million and RMB13.3 million, respectively.

ORGANIZATIONAL STRUCTURE

To enhance our capability of providing products and services that meet the market demands, we adopt an organizational structure that facilitates brand-specific innovation and extensive coordination and sharing of expertise among the brands within our Group. Under our management mechanism, we strike a balance between the goal of providing a definite functional accountability system and offering flexibility and creativity at the decision-making and operation levels.

In light of such dynamic missions underlying the establishment of our organization structure, the businesses of our Group are governed by a precise and centralized commanding mechanism which enables parallel operations of various brands. Six of our senior staff members, including five brand managers in charge of the distinctive brands that we manage and one rotating general manager who stations at our headquarters responsible for managing a service platform for consolidating our administration, directly report their duties to our executive Directors. The diagram below illustrates our organizational structure:



Brand-specific Management

We encourage brand-specific and bottom-up upgrade and innovations by granting flexibility and incentives to the brand manager and competent staff members under each brand for their devoted work. Typically, we select and appoint brand managers from the senior management team of our Group. We confer to the brand managers and their respective teams the opportunities to invest in and own certain percentage of equity interests in the brand that they manage. As of the Latest Practicable Date, the brand teams of Tai Er, Double Eggs, Cooking Spicy Kebab and Uncle Chef held 15%, 20%, 20% and 20% of the equity interests in the brands they managed, respectively. Given the long history of Jiu Mao Jiu, we are in the process of restructuring Jiu Mao Jiu such that we can offer opportunities to its brand team to invest in and own certain percentage of equity interest in Jiu Mao Jiu. We established Ruizhao Investment, a non-wholly owned subsidiary, as the investment holding company of our other PRC subsidiaries which operated and managed some of our Jiu Mao Jiu restaurants. Ruizhao Investment will be the entity holding interest in newly opened Jiu Mao Jiu restaurants. We plan that all of our existing Jiu Mao Jiu restaurants will be gradually transferred to Ruizhao Investment. As of the Latest Practicable Date, Ruizhao Investment was owned as to 15% by the brand team of Jiu Mao Jiu. With the brand managers' prior knowledge of and experience in our Group and the involvement of their interest in the performance of the business of our brands, they are capable of and motivated in supervising the operations of the business of these brands.

The administration of each of our brands is further supported by the staff who perform specialized duties. There are five functional divisions, including (i) operations, (ii) product development, (iii) brand marketing, (iv) human resource and (v) customer research, under the structure of each of our brands. The functional divisions provide specific assistance to the brand managers based on the needs of each brand.

The senior management of our Group regularly evaluates the performance of the five brand managers, who review their respective staff across years.

Intra-Group Coordination

We have close coordination of operation within our Group. Our rotating general manager, who is made directly accountable to our Board of Directors, stations at our headquarters and is responsible for coordinating across brand teams and our headquarters. Seven functional departments are under the management of the rotating general manager and are responsible for (i) brand development and expansion, (ii) engineering, (iii) procurement, (iv) central kitchens and production, (v) information technology, (vi) finance and (vii) organizational affairs, respectively. On one hand, these departments provide strong support to the operation and management of our brands. On the other hand, these departments formulate uniform standards and standardized procedures, including food safety standard, site selection criteria and procurement procedure, that each of our brands is required to adhere to.

OUR BUSINESS MODELS

Each of our restaurants is operated under one of the two different business models: self-operated and franchise. Our Jiu Mao Jiu, Tai Er, Cooking Spicy Kebab and Uncle Chef restaurants are operated exclusively under the self-operated model. Meanwhile, for Double Eggs restaurants, in addition to the self-operated model, we also adopt the franchise model and cooperate with franchisees who are committed to our philosophy and motivated to grow the brand and restaurant network with us.

Self-operated Model

Overall, our self-operated model enables us to expand at speed and with good quality. Through such model, we promote the operation efficiency, safety and profitability of our restaurants, which in turn render our brands scalable and allow us to maintain sufficient control over the quality of food and services we deliver to our customers. The self-operated model is widely used across our brands, and it is largely realized by high level of standardization devised within our restaurant network.

As of the Latest Practicable Date, we owned and operated 143 Jiu Mao Jiu restaurants, 121 Tai Er restaurants, 21 Doubles Eggs restaurants, one Cooking Spicy Kebab restaurant and one Uncle Chef restaurant. During the Track Record Period, we generated over 99% of our revenue from our self-operated restaurants.

Franchise Model

The franchise model is a business model commonly used in the fast food industry. Usually under the franchise model, the restaurant brand owner enters into franchise agreements with franchisees and grants franchisees licenses to sell its products and use its system and trademarks in a given location. The benefits conferred by the franchise model include (i) faster expansion, regional penetration and market share gains, (ii) effective utilization of the franchisee's entrepreneurial spirit, local expertise and business network, and (iii) reducing the operation risks of the brand owner.

As a result, we introduced the franchise model to the Double Eggs in the second half of 2018 as our first attempt to combine the benefits of franchise model with our traditional strengths developed through self-operation. As of the Latest Practicable Date, we have granted 41 franchisees licenses to the operation of 41 Double Eggs restaurants. For the year ended December 31, 2018 and the six months ended June 30, 2019, the revenue contribution from our franchised restaurants was RMB1.2 million and RMB5.3 million, accounting for approximately 0.1% and 0.4% of our total revenue for the same period. For the year ended December 31, 2018, these franchised restaurants contributed a net loss of approximately RMB156,000 to the Group, primarily because the franchise model only started from the second half of 2018, and the revenue recognized from these franchisees could not cover the management costs allocated to franchised Double Eggs restaurants, including but not limited to staff costs and advertising and promotion expenses of Double Eggs, and depreciation and amortization of rentals for office space of our Double Eggs team. For the six months ended June 30, 2019, these franchised restaurants contributed a net profit of approximately RMB296,000 to the Group.

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With a view to achieving a fast-paced expansion and utilizing our internal staff resources, we encourage our employees selected by our management to become our franchisees or recommend appropriate candidates to us. As disclosed below, our franchising terms with such franchisees have been more favorable than those with other franchisees, including waiving franchise fees and restaurant operation deposit. Our Directors are of the view that it is in the best interest of the Company to rapidly expand the Double Eggs network, and more favorable terms will help motivate selected employees to participate in the expansion. As of the Latest Practicable Date, 16 of our franchisees are our employees or people recommended by our employees (“**Employee Franchisees**”), who operated 22 franchised Double Eggs restaurants. In 2018 and the six months ended June 30, 2019, revenue from franchised-Double Eggs restaurants operated by the Employee Franchisees accounted for 87.5% and 67.5% of our revenue from all franchised Double Eggs restaurant.

Meanwhile, to ensure sufficient control over the quality of our foods and services and to maintain the reputation of our brands, we introduced the following measures:

- *Selection of franchisees.* We carefully select our franchisees based on a number of criteria, including, among other things: (i) financial conditions; (ii) commitment to our corporate philosophy and brand concept; (iii) entrepreneurship; (iv) motivation; and (v) local knowledge and resources.
- *Training.* We provide guidelines and training in respect of the opening and operation of relevant restaurants to franchisees and people designated by the franchisees, who are required to be trained and meet our training standards.
- *Platform system.* The franchisees should use our uniform membership platform system and maintain the uniform look of the brand “Double Eggs”.
- *Operation of the franchised restaurants.* The franchisees should follow our operational, food safety and quality control standards. we also provide recommended prices.
- *Procurement.* The franchisees are required to purchase all food ingredients and certain equipment and material from us or suppliers designated by us.
- *Promotional and advertising methods.* The franchisees should use the promotional and advertising strategies provided or otherwise approved by us.
- *Ongoing supervision.* We conduct regular site visits to our franchised Double Eggs stores and request periodic reports from our franchisees to ensure their operation meets our standards.

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The Franchise Agreements

As at the Latest Practicable Date, we entered into 59 franchise agreements with 46 individuals, granting them rights to operate under our Double Eggs for a term of three years. Franchisees can apply for the renewal of the franchise agreement three months before its expiry and could renew the franchise agreement upon our approval. The franchise agreements contain the following salient terms:

Our Roles and Obligations

We are entitled to: (i) require the franchisees to operate strictly under the requirements as described in the franchise agreement to maintain the uniform image of the brand; (ii) supervise the business activities of the franchisees; and (iii) collect from the franchisees franchise fee, royalty fee, restaurant operation deposit and any reasonable fees as agreed in the agreement or generated during performance.

We are obliged to provide the franchisees with the brand operation system of “Double Eggs”, including the use of trademarks, uniform membership platform system, store style design service, supply of food ingredients and other materials.

Franchise and Other Fees Payable by Franchisee

We typically charge our franchisees the following fees for each franchised restaurant during the Track Record Period:

	Double Eggs
	One-time payment (RMB)
Franchise fee ⁽¹⁾	30,000 or 50,000
Design service fee ⁽²⁾	5,000 or 6,000
Restaurant operation deposit ⁽³⁾	20,000 or 30,000 or 50,000
	Ongoing payment (RMB)
	1,500 or 3,000 or 3.0% of revenue before March 1, 2019 or 5.0% of revenue after March 1, 2019
Royalty fee/month ⁽⁴⁾	Based on the procurement amount
Procurement fee ⁽⁵⁾	Based on the actual service provided
Other service fee ⁽⁶⁾	

Notes:

1. For the initial franchise fee, we recognize the amount as our revenue over the time during the initial franchise period.
2. We provide design service to our franchisees to ensure the consistency of store styles. These design service fees are recognized as our revenue when related services are rendered.
3. This deposit is used to guarantee the performance of the obligations of the franchisee under the franchise agreement, and is returned within 30 days after the expiration or termination of the franchise agreement if the franchisee has performed all of its obligations under the franchise agreement and owes no outstanding obligations to us. The deposit is not recognized as our revenue.
4. We typically settle our royalty fee with our franchisees on a monthly basis. The royalty fees are recognized when related services are rendered. Royalty fees were initially determined after arm’s length negotiations with our franchisees with reference to our research and development expenses, profit margin expected by the franchisees and the market practice.

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According to Frost & Sullivan, royalty fee is typically 3% to 9% of revenue per month in the catering service market in China. We increased the royalty fee to 5% of revenue after March 1, 2019 because there was more certainty on profitability as our franchise model became more established.

5. Including procurement of food ingredients and other materials. We typically settle the procurement fee with our franchisees on a monthly basis. In most cases, our franchisees pay us in advance, before we deliver supplies to them. We do not allow return of food ingredients sold to franchisees unless the quality and quantity do not meet standard according to the franchise agreement. Revenue from the sales of food ingredients is recognized when the goods are delivered and title have passed. During the Track Record Period, there was no return of food ingredients we sold to our franchisees.
6. Referring to the marketing and training services we provide to newly-opened franchised-Double Eggs stores. The service fees are recognized when related services are rendered.

Varying pricing terms are incorporated in franchise agreements primarily because we charged a lower fee at the beginning in order to attract more franchisees, and we adjusted and increased certain fees when our franchise model becomes more established, and more potential franchisees are approaching us for possible cooperation.

Site Selection

The franchisee shall only open the Double Eggs store at the location approved by us and stipulated in the franchise agreement. Generally, no more than one store may be opened within a radius of 500 meters.

Non-Competition

The franchisee shall not during the term of the franchise agreement and for two years after termination carry out catering business in the same or similar nature to our business except for the franchised restaurant during the term of the franchise agreement.

Minimum Number of Restaurants to Be Opened and Minimum Investment Amounts

There is no minimum number of restaurants to be opened, nor minimum investment amount requirements in our franchise agreements.

Termination of Agreement

Any party has the right to terminate a franchise agreement if, among other things, any party materially breaches the terms of the franchise agreement. Otherwise the agreement shall be terminated if the parties agree not to renew the agreement upon expiration. During the Track Record Period, there was no material breach of any franchise agreement.

Supplemental agreements with Employee Franchisees

We enter into a supplemental agreement with each Employee Franchisee, pursuant to which we will waive such franchisee's obligations to pay the franchise fee and the restaurant operation deposit. In the event the employee who is the franchisee or who recommend the franchisee to us leaves the Group for any reason during the term of the relevant franchise agreement, this supplemental agreement shall be terminated automatically and the franchisee shall pay the restaurant operation deposit to us in a lump sum within three days. If the franchisee fails to pay the deposit and fails to rectify within three days after we serve the notice, we are entitled to terminate the relevant franchise agreement.

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We believe that the experience in managing franchised restaurants supplements our experience in managing self-operated restaurants and helps us gain more knowledge about restaurant operations and the catering industry as a whole, thereby further enhancing the ability of our platform to support different types of chain restaurants.

Movement in the Number of Our Franchised Restaurants

The following table sets forth the movement in the number of our franchised restaurants during the Track Record Period and up to the Latest Practicable Date.

	Year ended December 31,			Six months ended June 30,	From July 1, 2019 to the Latest Practicable Date
	2016	2017	2018	2019	
Double Eggs: franchised by employees					
Period beginning restaurant count	—	—	—	11	22
Newly opened restaurants	—	—	12	13	2
Closed restaurants	—	—	1	2	2
Net increase/(decrease)	—	—	11	11	0
Period end restaurant count	—	—	11	22	22
Double Eggs: franchised by independent third parties					
Period beginning restaurant count	—	—	—	3	13
Newly opened restaurants	—	—	3	11	8
Closed restaurants	—	—	—	1	2
Net increase/(decrease)	—	—	3	10	6
Period end restaurant count	—	—	3	13	19

One and seven franchised Double Eggs restaurants were closed in 2018 and from January 1, 2019 to the Latest Practicable Date, respectively, primarily due to their underperformance.

OPERATIONS MANAGEMENT

To ensure the quality of food and services provided by our restaurants, and to promote the operational efficiency and profitability of our brand network, our headquarters provide comprehensive and systematic support to all the restaurants under our management, including, among others, operations management, procurement management, marketing support and information technology support.

Standardization

Standardized operation is the key to our brand management and operation, because it ensures the consistency of food, services and the overall dining experiences of restaurants across our network. We have established a comprehensive set of standards and specifications with respect to the various aspects of our restaurant operations, including ingredient storage, food preparation and processing, restaurant hygiene, food serving, facilities maintenance and employee conduct, as well as our staff training regimes. Standardized operation allows us to efficiently share knowledge and adopt best practices when opening new restaurants and to maintain high and consistent quality of operations among all restaurants across our system, especially with respect to the quality of food and services we provide as well as the overall dining experience.

Pricing

We have established pricing guidelines for each of the brands we manage and operate. We generally follow the “same price for restaurants under the same brand in the same city” principle, while allowing slight adjustments in pricing based on where the restaurants are located. When determining the suitable pricing for a restaurant, we consider a number of factors, including the average disposable income, spending patterns and dining habits of the consumers in the commercial districts, procurement and rental costs of the restaurants and our target profit margin. We also closely monitor the pricing of our competitors in the same commercial districts to evaluate our pricing. We update our pricing from time to time to reflect market trends and general economic conditions.

Settlement and Cash Management

We accept cash, credit cards, WeChat Pay and Alipay at our restaurants. We do not sell prepaid cards to our customers. As non-cash payments become increasingly common, risks related to cash management have been and are expected to be maintained at minimal level. Percentage of cash payments in terms of total payments from our customers was declining over the Track Record Period, and for the six months ended June 30, 2019, the percentage was approximately 3.9%.

Meanwhile, to ensure the accuracy of recording and tracking customer spending, we employ POS systems in our restaurants. To avoid misappropriation and embezzlement of cash, we have adopted a cash management and delivery system in each of our self-operated restaurants. Restaurant managers are responsible for ensuring that cash received during the day matches the sales records and is timely transferred to bank accounts. In addition, we have installed surveillance cameras in many of our restaurants to monitor and prevent misconducts. We also monitor the accuracy of sales through payment systems installed in our self-operated and franchised restaurants.

During the Track Record Period, 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.

Evaluation of Our Restaurant Performance

We conduct periodic evaluation of the performance of our self-operated restaurants. Our comprehensive evaluation covers procedural and policies re-examination and on-site restaurant inspection. This performance-based and restaurant-specific evaluation takes into account a set of indicators, such as restaurant revenue, hygiene, food safety and customer feedback. With the aid of our information technology system, this evaluation is done on each of our self-operated restaurants every month.

We may choose to close certain restaurants based on our evaluation. For our established brands, if a restaurant records negative net cash flow contribution to the Group for typically three months, we will implement certain rectification measures, including increasing marketing investment, negotiating with the landlord to lower the rent and changing the management team. Negative net cash flow contribution to the Group represents restaurant-level profit adding back non-cash management overhead, such as depreciation and amortization. If the restaurant remains underperforming for typically another three

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months, and we consider it to have low growth potential after providing these additional supports, we will consider closing it. For our newly-established brands, the observation period can be extended to six months.

In addition, we actively supervise our franchisees and franchised restaurants to help ensure their compliance with the relevant franchise agreements, which include strict adherence to our uniform service and quality standards as well as compliance with applicable laws and regulations. For restaurants operated under franchise agreements, we have the right to terminate our cooperation with franchisees who do not meet our standards and fail to rectify the problems to our satisfaction.

In 2016, 2017 and 2018, and the six months ended June 30, 2019, 14, 9, 14 and 16 restaurants were closed, respectively. The table below sets forth a breakdown by brands and by reasons.

	Year ended December 31,			Six months ended
	2016	2017	2018	June 30, 2019
Number of restaurants closed/ disposed of				
Jiu Mao Jiu				
Due to under-performance	12	1	3	4
Due to termination of lease agreements	1	5	5	4
Tai Er (due to termination of lease agreement)	—	1	—	—
Double Eggs				
Self-operated, due to under performance	—	—	1	1
Franchised, due to under performance	—	—	1	3
Cooking Spicy Kebab	—	—	—	—
Uncle Chef	—	—	—	—
Coconut House (due to under-performance)	1	—	—	—
Bravo Sirloin (due to under-performance)	—	2	4	—
Happy Mouth (due to under-performance)	—	—	—	4 ⁽¹⁾
Total	<u>14</u>	<u>9</u>	<u>14</u>	<u>16</u>

Note:

1. We closed three Happy Mouth restaurants and transferred our interests in one Happy Mouth restaurant to the minority shareholder in June 2019.

Customer Feedback Management

We strive to provide best-in-class customer service at our restaurants, which we believe is the core of customer relationship management.

Generally, we receive feedback or complaints from customer at our restaurants, through our online suggestion form, email, WeChat Official Accounts or fans group via WeChat. To actively collect and timely respond to consumer feedback, we have established a customer research team under each of our brands. Our restaurant managers are responsible for promptly resolving any complaint regarding quality of food and services at the restaurant level and are authorized to take remedial actions, including replacing the dishes that are the subjects of the customer's complaints, waiving charges on dishes, offering complimentary drinks or offering vouchers for future visits. During the Track Record Period, we did not receive any material customer complaint with respect to our restaurants.

MARKETING AND PROMOTION

We design our branding, marketing and promotional strategies to enhance our brand image and awareness, attract new customers and increase customer loyalty. Our marketing team prepares annual plans and schedules setting out the expected promotional campaigns for our restaurants. We take into account factors such as seasonality, nature of the premises, spending patterns and consumer preferences of different regions to tailor each campaign to the requirements of each restaurant. Meanwhile, we differentiate our marketing and promotion strategy between our brands.

Jiu Mao Jiu

For Jiu Mao Jiu, our promotional campaigns generally focus on promoting the sales of newly opened restaurants and underperforming restaurants, as well as sales during down seasons. To promote Jiu Mao Jiu, we employ various marketing initiatives, including:

- *Online promotional campaign.* Our WeChat Official Account for Jiu Mao Jiu has more than 3.8 million subscribers as of the Latest Practicable Date. We publish articles about our new dishes, new openings or other activities from time to time to strengthen our communication with customers.
- *Offline promotional campaign.* We organize offline promotional activities to promote Jiu Mao Jiu from time to time. We have organized the popular parents-children DIY workshop (親子課堂) activity in 21 Jiu Mao Jiu restaurants, and a large number of families have participated. By inviting children and their parents to watch, learn and participate in the process of making noodles and pastries together, we provide our customers with the opportunity of joyful family interaction and enjoying the fun of cooking. The activity is also a vivid demonstration of our strict criteria for food safety and food quality, enhancing our connection with family customers and promoting our brand image.

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Tai Er

The reputation for Tai Er has primarily been built through word-of-mouth of satisfied customers, and additionally through active marketing and promotional efforts. We set a dedicated team including staff with artistic and designing talents, and social media operating experience, specifically responsible for Tai Er's marketing and promotional activities. As a result, Tai Er has rapidly accumulated a large number of fans and become an online celebrity brand. The marketing initiatives we employ includes:

- *Online promotional campaign.* Tai Er operates a WeChat Official Account with more than 5.6 million subscribers as of the Latest Practicable Date. We post amusing comics created by our own staff with our symbol figures as main characters to spread information regarding new openings, new dishes and activities. The average number of views for each posting is more than 100,000. We also have more than 230 WeChat fans groups with more than 170,000 core fans to strengthen our interaction with customers as of the Latest Practicable Date.
- *Offline promotional campaign.* Offline promotional campaign is also part of our marketing strategy. For example, we launched a pop-up festival of sauerkraut museum at one of our restaurants in Guangzhou on July 22, 2017 to celebrate the second anniversary of the creation of Tai Er and to introduce our unique sauerkraut culture. A large number of audiences were engaged in the festival, watching the exhibitions, taking selfies, dining in, and drawing their own pottery pots as souvenirs. The festival emphasized Tai Er's determination of providing high-quality sauerkraut fish with unique flavor through our usual style of humor, promoting our popularities among existing and potential customers.

Other Brands

We also implement a series of marketing activities to promote other brands we manage and operate, with a dynamic combination of online and offline channels. For example, for Cooking Spicy Kebab, we celebrated its hundred-day operation by offering customers buffet coupon if they follow certain online procedures designated by us, including subscribing for our WeChat Official Account and sharing the promotional articles with friends. For Uncle Chef, we organized a tasting event for selected members and demonstrated the technologies, services and products for VIP customers.

OUR CUSTOMERS

Revenue derived from our five largest customers accounted for less than 1.0% of our total revenue for each of the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019. All of our five largest customers in 2016, 2017 and 2018 and the six months ended June 30, 2019 are independent third parties. None of our Directors, their associates or any of our Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our five largest customers that are required to be disclosed under the Listing Rules.

INFORMATION TECHNOLOGY SUPPORT

We have made significant investments to establish an efficient technological infrastructure, using professional software systems from leading international vendors, as well as tailor-made or self-developed systems. Our information technology infrastructure serves as the foundation of our restaurant network management and facilitates efficient and standardized restaurant operations for all restaurants across our brands. We distinguish ourselves in the restaurant industry in implementing advanced information technology to support our development. To this end, we have implemented a set of management information systems, including the following:

Point-of-Sale (“POS”) system. All of our restaurants use computerized POS systems controlled by our headquarters, which are designed to improve operating efficiency, provide standardized and centralized control over menu mix and pricing, collect financial and marketing data and reduce restaurant and corporate administrative time and expenses. These systems record each order and print the food requests in the kitchen for cooks to prepare. The data captured for use by operations and corporate management includes guest count, time and date of meal, location of the guest’s seat, quantities of each menu item sold, cash and credit card receipts, and membership card number, if available. The collected data is generally automatically transmitted to our headquarters every night, enabling management to continually monitor operating results and consumer spending patterns at each restaurant. Variances from expectations are analyzed and addressed regularly.

Enterprise Resource Planning (“ERP”) system. Our ERP system provides a platform through which we monitor and manage a variety of functions at each restaurant and central kitchen, including purchasing, warehousing, human resources and accounting. The system provides management with operating reports for each restaurant that set forth restaurant performance, based on which our management can prepare the restaurant performance budget and control the restaurant operations on a centralized basis. The system allows us to monitor restaurant sales, food and beverage costs, labor costs and other restaurant trends on a regular basis. The bill of materials function under our ERP system sets forth the target quantity and costs of food ingredients required by our central kitchens and restaurants to ultimately prepare a finished dish. The bill of materials function monitors and analyzes the amount and costs of actually consumed ingredients against the target.

E-learning platform

We have built an e-learning platform where employees can access our online courses on operation procedures, guidelines and standards, information technology and corporate culture.

PROCUREMENT

Our ability to maintain consistent quality throughout our restaurant network in part depends upon our ability to secure a stable supply of high quality and safe food ingredients. We have a comprehensive set of procurement processes designed to maintain uniform standards and effective management practices.

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We have established a dedicated procurement team at our headquarters to implement centralized purchase system for all purchase orders. Our procurement team is required to make purchases only from those suppliers which are included in our suppliers list, and to implement bidding process to secure food ingredients of high quality and safety at a reasonable cost.

Supplier Selection

We place great emphasis on sourcing food ingredients from reliable suppliers to ensure the quality and safety of the ingredients.

We have formulated a comprehensive set of criteria for selecting suppliers including their market reputation, financial conditions, qualifications, production capacities and manufacturing process control, quality control, pricing, quality of products and product recall and tracking system. We also require our suppliers to comply with all applicable food production regulations and inspect their licenses, certifications and other accreditation.

We have established procedures for food safety and quality control when engaging new suppliers. Our procurement team conducts thorough market research and invites competent candidates, in particular, those suppliers with well-established distribution networks and good operation track record, to our selection process. We also conduct assessments such as ingredients sampling and site visits to production facilities of new suppliers before we engage a new supplier. Moreover, we conduct annual and unscheduled review of the quality and food safety of purchases.

Supplier Agreement

We generally enter into standard one-year framework agreements with our suppliers for supplies of food ingredients, major terms of which are set out as follows:

- *Quality.* We generally provide detailed specifications regarding the quality of the goods supplied. We require all suppliers to provide an inspection report or a certificate of quality, except for small volume seasonal procurements.
- *Pricing.* We generally do not stipulate the purchase price in the agreements, but set out the price monthly or quarterly in the purchase order depends on the types of food ingredients procured and with reference to the then market price.
- *Delivery schedule.* We generally stipulate the delivery schedule in our agreements. The delivery schedule depends on the types of food ingredient procured.
- *Most favorable clause.* We generally require the supplier to give us prices and terms that are no less favorable than those given to any other customer.

In particular, in order to reduce our risks resulting from the relatively wild price fluctuations of bass, we entered into agreements with our suppliers pursuant to which the price of bass we procure from them shall be fixed for one year from the beginning of the year. If there exist unexpected market changes, we may agree to adjust the price of bass with a view to keeping long-term relationships with our bass suppliers.

Supplier Management

We had 272, 236, 258 and 336 authorized suppliers as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. On average, we have over three years of business dealings with our major suppliers.

Our quality control personnel may provide necessary training to our suppliers to ensure the food and supplies delivered meet the specified standards. Additionally, we emphasize the production sources of the food ingredients to help ensure the quality and healthiness of the ingredients. We manage our suppliers and procurement strategy based on the categories of food and supply, which primarily include the following:

- *Standardized food and supplies*, including, wheat flour, oil and seasonings. We only procure wheat flour and oil through top five suppliers and seasonings from major authorized suppliers in China.
- *Fish and meat products*, such as bass and pork products. Because of the specialized standards and relatively high value per item, our centralized procurement team will purchase such food ingredients from selected suppliers that have established stable and long-term relationships with us.
- *Fresh produce*, such as vegetable and fruit. These food ingredients are purchased from several major domestic vegetable production bases as well as local authorized suppliers and transported directly to each of our local restaurants.

We typically have at least three suppliers for each of our main ingredients to minimize any potential disruption in our operations, maintain sourcing stability, avoid over-reliance risk, and secure competitive prices from suppliers. To safeguard food quality, our comprehensive requirements cover reputable large suppliers both domestically and overseas. During the Track Record Period, our main ingredients and supplies were generally sourced from multiple suppliers. During the Track Record Period, we did not experience any interruption in our supply of food ingredients, early termination of supply agreements, or failure to secure sufficient quantities of irreplaceable food ingredients that had any material adverse impact on our business or results of operations.

Our procurement team makes contingent plan to actively manage our supply chain. Such plan typically includes (i) procurement from alternative suppliers that can meet our quality standards to avoid supply shortages, (ii) supply diversity requirement to hedge the unexpected market events and (iii) advanced inventory management in anticipation of seasonal fluctuation of supply. Our suppliers generally offer us a credit term up to 30 days. We typically settle trade payable obligations with respect to our suppliers via bank transfer.

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The table below sets forth the details of our top five largest suppliers during the Track Record Period:

For the six months ended June 30, 2019

Rank	Supplier	Raw materials and consumables procured	Purchase amount (RMB in thousands)	Percentage of total purchase
1	Supplier A	Fishery products	54,256	10.8%
2	Supplier B	Fishery products	30,999	6.2%
3	Supplier C	Raw materials and consumables	16,394	3.3%
4	Supplier D	Rice, flour and oil	14,626	2.9%
5	Supplier E	Vegetables	12,784	2.5%
Total			129,059	25.7%

For the year ended December 31, 2018

Rank	Supplier	Raw materials and consumables procured	Purchase amount (RMB in thousands)	Percentage of total purchase
1	Supplier A	Fishery products	57,578	7.3%
2	Supplier E	Vegetables	34,160	4.3%
3	Supplier C	Raw materials and consumables	31,317	4.0%
4	Supplier F	Fishery products	28,836	3.6%
5	Supplier D	Rice, flour and oil	28,334	3.6%
Total			180,226	22.8%

For the year ended December 31, 2017

Rank	Supplier	Raw materials and consumables procured	Purchase amount (RMB in thousands)	Percentage of total purchase
1	Supplier E	Vegetables	31,736	6.0%
2	Supplier A	Fishery products	29,842	5.6%
3	Supplier C	Raw materials and consumables	29,024	5.4%
4	Supplier G	Meat	21,521	4.0%
5	Supplier H	Meat	19,546	3.7%
Total			131,670	24.7%

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For the year ended December 31, 2016

<u>Rank</u>	<u>Supplier</u>	<u>Raw materials and consumables procured</u>	<u>Purchase amount (RMB in thousands)</u>	<u>Percentage of total purchase</u>
1	Supplier C	Raw materials and consumables	14,033	3.3%
2	Supplier I	Meat	13,446	3.2%
3	Supplier J	Vegetables	12,774	3.0%
4	Supplier K	Meat	12,437	2.9%
5	Supplier L	Meat	11,145	2.6%
Total			<u>63,834</u>	<u>15.0%</u>

All of our top five largest suppliers are independent third parties. None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our top five largest suppliers that is required to be disclosed under the Listing Rules.

Purchase Cost Control

We implement certain measures to control our purchase costs, including (i) integrating multi-channel supply resources including local, domestic and global markets to achieve cost-efficient conjunction, (ii) entering into framework agreement with certain suppliers to secure sufficient supplies at agreed price, and (iii) stocking certain ingredients according to market conditions and sales records.

Our large procurement scale, strong brand images, knowledge of price trends for ingredients, and the strong negotiation skills of our procurement team all help us strengthen our bargaining power. As a result, we are able to control our procurement costs effectively. From January 2016 to June 2019, the food price index in China increased by 6.5%, according to the National Bureau of Statistics of the PRC. However, our per unit procurement costs for our major ingredients remained relatively stable during that period.

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As is customary in the catering service market, we typically do not pass on short-term price increase of our major ingredients to our customers. Set forth below are sensitivity analyses of the impact on our results of operations during the Track Record Period from hypothetical fluctuations in the price of the major ingredients used based on the extent of fluctuations during the Track Record Period.

Hypothetical changes in raw materials and consumables used in the six months ended June 30, 2019

	12%	9%	6%	-6%	-9%	-12%
	(in RMB thousands)					
Raw materials and consumables used	487,202	474,152	461,102	408,902	395,852	382,802
Changes in raw materials and consumables used	52,200	39,150	26,100	(26,100)	(39,150)	(52,200)
Changes in profit for the year	(39,150)	(29,363)	(19,575)	(26,100)	29,363	39,150

Hypothetical changes in raw materials and consumables used in the six months ended June 30, 2018

	12%	9%	6%	-6%	-9%	-12%
	(in RMB thousands)					
Raw materials and consumables used	330,773	321,913	313,053	277,613	268,753	259,893
Changes in raw materials and consumables used	35,440	26,580	17,720	(17,720)	(26,580)	(35,440)
Changes in profit for the year	(26,580)	(19,935)	(13,290)	13,290	19,935	26,580

Hypothetical changes in raw materials and consumables used in 2018

	12%	9%	6%	-6%	-9%	-12%
	(in RMB thousands)					
Raw materials and consumables used	752,483	732,327	712,172	631,548	611,393	591,237
Changes in raw materials and consumables used	80,623	60,467	40,312	(40,312)	(60,467)	(80,623)
Changes in profit for the year	(60,467)	(45,350)	(30,234)	30,234	45,350	60,467

Hypothetical changes in raw materials and consumables used in 2017

	12%	9%	6%	-6%	-9%	-12%
	(in RMB thousands)					
Raw materials and consumables used	574,011	558,636	543,261	481,759	466,384	451,009
Changes in raw materials and consumables used	61,501	46,126	30,751	(30,751)	(46,126)	(61,501)
Changes in profit for the year	(46,126)	(34,595)	(23,063)	23,063	34,595	46,126

Hypothetical changes in raw materials and consumables used in 2016

	12%	9%	6%	-6%	-9%	-12%
	(in RMB thousands)					
Raw materials and consumables used	430,145	418,623	407,101	361,015	349,493	337,971
Changes in raw materials and consumables used	46,087	34,565	23,043	(23,043)	(34,565)	(46,087)
Changes in profit for the year	(34,565)	(25,924)	(17,282)	17,282	25,924	34,565

Anti-bribery measures

Our employee handbook sets forth strict guidelines against engaging in bribery and creating circumstances which may create a conflict of interest between us and our employees. In addition, we have a set of anti-bribery internal procedures. For example, during the bidding process, the supplier candidates are only allowed to send the bidding document to personnel designated by the board (instead of the procurement department). The centralized procurement system also enables us to limit the number of employees with purchasing authority and thus to increase effectiveness of our internal control measures. During the Track Record Period, there was no kickback arrangement with any of our suppliers.

Sources of Supply and Ingredient Shelf Lives

We manage our suppliers and procurement strategy based on the categories of food and supply, and the source of our major food ingredients and their shelf life are summarized as follows:

- *Bass.* We currently only purchase our fresh bass from Foshan and demand chemical test reports for antibiotics and hormone residues from suppliers upon their delivery. After processing the fresh bass into stripes with a typical shelf life of three days, we deliver them to our restaurants with cold chain storage and staff at restaurants will conduct quality inspection procedures such as visual inspection on different aspects of the ingredients including color, shape, size, packaging and any indication of spoilage upon delivery.
- *Beef.* We purchase all beef from China. The frozen beef usually has a shelf life of six months to 12 months, and our trained quality control staff conduct quality inspection procedures such as visual inspection on different aspects of the ingredients including color, shape, size, packaging and any indication of spoilage upon delivery.
- *Pork.* We purchase various pork products from China with a typical shelf life between three months to 12 months. We also purchased frozen pork from Spain, the United Kingdom and Denmark with a typical shelf life of 24 months. Our trained quality control staff conduct quality inspection procedures such as visual inspection on different aspects of the ingredients including color, shape, size, packaging and any indication of spoilage upon delivery.
- *Chicken.* We purchase various chicken products from China, with a shelf life between three months to 12 months. We also purchased frozen chicken from Brazil with a typical shelf life of 24 months. Our trained quality control staff conduct quality inspection procedures such as visual inspection on different aspects of the ingredients including color, shape, size, packaging and any indication of spoilage upon delivery.
- *Vegetables.* We purchase various vegetables from several major domestic vegetable production bases as well as local authorized suppliers with a typical shelf life between one to four days. To ensure freshness, we demand inspection reports for each batch upon delivery. We also regularly conduct inspection to ensure that the pesticides and other chemical residues of the vegetables meet the national standards.

There has been an outbreak of African swine fever (“**ASF**”) in China since early August 2018. China slaughtered pigs infected with ASF and prohibited the export of pork from certain provinces, which affected the supply of fresh pork and caused the price of pork to rise. ASF may have adverse effects on the operations of restaurants which mainly serve dishes with pork due to the limited supply and the rising cost of fresh pork. As a result, ASF may bring potential threat to the catering services market in China.

We procured both fresh pork and frozen pork. While ASF affected the supply of fresh pork, it did not have any significant impact on the supply of frozen pork as frozen pork could be preserved for a relatively longer period of time and sourced from areas that were not

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affected by the outbreak of ASF. In response to the declined supply of fresh pork, we have adjusted some of our recipes and dishes to replace fresh pork with frozen pork in our food processing procedures. In addition, we purchased frozen pork from other countries, such as Spain, Denmark and the United Kingdom to further diversify the source of supply. The purchase cost for fresh pork only represented approximately 1.1%, 1.6%, 1.1% and 0.9% of our total purchase cost for the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019. As of the Latest Practicable Date, ASF had not had any material adverse impact on our operation and financial results.

Inventory Management

We set stringent requirements for the storage of ingredients and supplies in our warehouses. Our warehouse inspectors conduct daily inspections of our warehouses to ensure strict compliance with our requirements. Enabled by the strong information technology support, our headquarters and our restaurants use ERP systems to forecast, track, analyze and manage inventory levels. See “— Information Technology Support” above for details.

Procurement Procedure

We have established centralized procurement procedures for all purchase orders. We also have established internal review, approval and monitoring procedures for all purchase orders, including the centralized purchases made through our procurement department.

Our procurement department devises regular procurement plan based on the consumption forecast formed by the supply department for each of our existing and planned new restaurants. The consumption forecast is based on our market outlook and our past experiences. Our procurement department collects and analyzes our historical procurement data and makes such data available in our computerized inventory system. Our procurement department also conducts review to ensure that our procurement plan align with the latest demand trend.

PRODUCTION AND LOGISTICS

Food Processing

While we arrange delivery of a portion of food ingredients and other supplies directly to our restaurants, we produce most semi-processed products at our own central kitchens in Guangdong, Hainan and Hubei, and also purchase a small amount of semi-processed products from third party supply centers based on our ingredient guidance and proprietary recipes we developed and protected with strict confidentiality. This ensures consistency of food quality and taste among different restaurants and economies of scale.

Central Kitchens

We ensure the consistency of the taste and quality of our food offerings through the use of central kitchens in Guangdong, Hainan and Hubei. We also use supply centers from reliable and reputable third-party supply chain to provide raw materials and consumables to our restaurant network. Currently, we produce or process most of our menu items and ingredients at the central kitchens or purchase from third-party supply centers, and only limited preparation work is required at the restaurant level.

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The central kitchen in Guangdong commenced operation in December 2016 to provide food ingredients and other supplies for our restaurants located in Southern China (excluding Hainan). The central kitchen in Hainan commenced operation in September 2016 to provide food ingredients and other supplies for our restaurants located in Hainan. The central kitchen in Hubei commenced operation in December 2015 to provide food ingredients and other supplies for our restaurants located in Central and Eastern China. The following table sets forth information of the food production capacity, production volume and utilization rate of our own central kitchens by geographic locations during the Track Record Period.

Location	Year ended December 31,									Six months ended June 30,		
	2016			2017			2018			2019		
	Production Capacity (million tons)	Production Volume (million tons)	Utilization Rate (%)	Production Capacity (million tons)	Production Volume (million tons)	Utilization Rate (%)	Production Capacity (million tons)	Production Volume (million tons)	Utilization Rate (%)	Production Capacity (million tons)	Production Volume (million tons)	Utilization Rate (%)
Guangdong ⁽¹⁾	3.9	3.2	82.5	14.6	5.6	38.6	14.6	10.3	70.9	7.3	6.6	90.4
Hainan	0.7	0.2	25.9	1.8	1.2	68.1	1.8	1.5	83.9	0.9	0.8	86.8
Hubei	2.2	0.3	15.0	2.2	0.8	35.6	2.2	0.9	42.8	1.1	0.4	34.9

Note:

- We established a central kitchen in Guangzhou with a designed production capacity of 2.9 million tons in 2012. As the number of our restaurants increased, we started to build a new central kitchen in Foshan with a designed production capacity of 14.6 million tons, which commenced operation in December 2016 to replace the central kitchen in Guangzhou. The production capacity and production volume for 2016 represent those of the central kitchen located in Guangzhou for the first eleven months of 2016 combined with those of the central kitchen located in Foshan for December 2016. The production capacity and production volume for 2017, 2018 and the six months ended June 30, 2019 represent those for the central kitchen in Foshan only.

The utilization rate equals the actual production volume divided by the designed production capacity of each central kitchen which is calculated using the estimated number of restaurants within its supply scope multiplied by the estimated volume of food ingredients and other supplies each restaurant needs per day and the estimated total restaurant operation days in a year. The utilization rates of our own central kitchens have generally increased during the Track Record Period due to our restaurant expansion resulting in increasing production volume, except that the utilization rate for our central kitchen in Guangdong decreased in 2017 primarily due to the increase of its production capacity, and the utilization rate for our central kitchen in Hubei decreased in the six months ended June 30, 2019 due to closing down of several restaurants within its supply scope.

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Logistics

Our Logistic Management System

Our logistics operations coordinate the purchasing, storage and delivery of supplies throughout our restaurant network. We have established a logistics system comprising three central kitchens in Guangdong, Hainan and Hubei, respectively, each equipped with three warehouses. Each of these logistics facilities has a service radius of approximately 200 kilometers. Set forth below are the details of our warehouses as of the Latest Practicable Date:

<u>Location</u>	<u>Number of Warehouse</u>	<u>Total GFA (m²)</u>	<u>Number of Frozen Storage Warehouse</u>	<u>Number of Cold Warehouse</u>	<u>Number of Room-Temperature Warehouse</u>
Guangdong	3	6,221	1	1	1
Hainan	3	821	1	1	1
Hubei	3	674	1	1	1

Our suppliers are responsible for delivering food ingredients and supplies to our central kitchens or to the restaurants directly based on instructions given by our procurement department at our headquarters. We also engage third party transportation companies to transport food ingredients and other supplies from central kitchens to our restaurants on a daily basis. Risks associated with the shipment are assumed by suppliers/third party transportation companies for domestic shipment and are assumed by us for international shipment, and both are covered by insurance policies.

FOOD SAFETY AND QUALITY CONTROL

Food safety and quality control are of paramount importance to our business. We implement stringent food safety and quality control standards and measures throughout different aspects of our operations, including (i) procurement, (ii) food processing, (iii) storage and logistics and (iv) restaurant operations. We established the quality inspection division in 2013 and the quality control division in 2014 at our headquarters level. Mr. Fu Peihong currently heads our quality control division and has more than 15 years of experience in quality control. Our quality control division reports directly to our chief executive officer, is independent from all other departments and has a veto power over all quality control related issues and decisions. Mr. Yan Zhiwen currently heads our quality inspection division and has more than 14 years of experience in procurement and internal audit.

As of the Latest Practicable Date, we had 45 employees dedicated to food safety and quality control at our headquarters. The staff at each of our restaurants under our brands and our regional offices also conduct regular review and daily quality monitor at the operation level.

Procurement

We set comprehensive standards for the selection and management of suppliers. All of our suppliers are required to comply with quality standards imposed by relevant regulatory authorities with respect to their food ingredients and other supplies. We have formulated detailed quality inspection standards for different categories of food ingredients and other

supplies, which lay out specific inspection criteria, such as color, smell, taste and shape. We evaluate samples provided by potential suppliers in accordance with our comprehensive set of technical criteria. Moreover, we actively conduct quality inspection and review on our suppliers, including site visits to the facilities of our suppliers. For more information on supply chain quality control, see “— Procurement — Supplier Selection” and “— Procurement — Supplier Management.”

Food Processing

We adopt stringent safety and quality standards in each stage of our production process. The infrastructure and facilities at our own central kitchens are designed, constructed, maintained and inspected in accordance with applicable food safety standards, laws and regulations. We require our personnel involved in production activities to follow strict hygiene standards. Furthermore, we require that all the raw materials and ingredients used in the production process to be strictly in compliance with applicable laws and regulations with regard to safety and quality. Our quality inspection staff conduct tests on semi-cooked products to ensure compliance with our stringent quality standards before proceeding to the next stage of production. Major tests include sampling tests to ensure the appearance, color, odor, taste and nutrients comply with our safety and quality standard. Material factors to the food quality at each production step are listed out and monitored closely according to requirements of the Hazard Analysis and Critical Control Point, or HACCP/ISO22000 in order to prevent and rectify any potential occurrence of production errors.

Storage and Logistics

Our suppliers are responsible for shipping food ingredients and other materials to our central kitchens and restaurants. Upon delivery of the food ingredients to our central kitchens or the restaurants, our staff will store the food ingredients under appropriate temperature and storage conditions, following our standards, and keep records in a log.

We engage reputable third-party transportation companies which have established long-term working relationship with us to deliver the ingredients and supplies from our central kitchens to the restaurants in our network. We implement stringent safety policies and requirements during the transportation of these ingredients and supplies.

Restaurant Operations

We adopt stringent food safety and quality control standards for all our restaurants with respect to (i) inspection of food ingredients and supplies delivered directly from the suppliers, the third-party supply centers or the central kitchens to our restaurants and (ii) food preparation at our restaurants. In terms of inspection of food ingredients and supplies, our restaurant staff report to the quality inspection division on any deviation or irregularity in the quality of food ingredients and reject any food ingredients and supplies which do not meet our standards after visual inspection upon delivery to the restaurants. Individual restaurants are required to document any quality issue and report them to the quality control division for further handling.

In terms of food preparation, we have developed separate manuals laying out operating procedures and quality standards to regulate different aspects of food preparation done at all the restaurants in our network. We require restaurant staff to strictly adhere to the procedures

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and standards stipulated in the manuals to ensure the flavor, presentation, quality and hygiene standards of our dishes meet our standards. As a result, our customers can enjoy the same dishes with consistent quality and taste at any of the restaurants in our network. We believe this consistency helps us retain existing customers and attract new customers by generating customer confidence in our quality control system. In particular, our food safety and quality control policies include the following:

- *Continuous training programs.* We continuously provide training programs to our restaurant staff on the operating procedures and quality standards.
- *Spot-check by headquarters.* Our quality control division conducts spot-check on our restaurants to identify and rectify potential quality and food safety issues. An assessment is conducted on a random basis and evaluate factors including, among other things, the flavor, presentation and hygiene of the dishes at our restaurants.
- *Collection of customer feedback.* Our quality control division reviews customer feedback on the quality of dishes.
- *Open kitchen.* We adopt open kitchens in most of our restaurants where our customers can observe the food preparation process.

Quality Standard and Safety Records

We voluntarily adopted the ISO22000 quality management system to maintain our food safety and quality standard. As of the Latest Practicable Date, we had not experienced any material food safety incidents.

BRAND, PRODUCT AND MENU DEVELOPMENT

We have established a dedicated product development team for each brand which comprises seven members for Jiu Mao Jiu, seven members for Tai Er, two members for Double Eggs, three members for Cooking Spicy Kebab and four for Uncle Chef. Most of our product development team leaders have served as chefs for over ten years.

The Procedure and Process of Our Product and Menu Development

We serve a wide range of customers. To better gratify our customers and be adaptive to the market, we always actively seek our customers' feedback, and our menu development is driven by our customers' needs.

We seek to develop new menu items and refine our signature and core dishes to satisfy our customers' expectations and attract new customers. Our menus are modified based on the changing taste of customers, shifting food trends, nutrition trends and feedback from our customers. We continuously develop new dishes for each of our brands and keep a pool of reserve dishes.

Developing new dishes primarily consists of the following key steps.

- *Project proposal.* We have a standardized process for developing new dishes. For example, for Jiu Mao Jiu restaurants, we typically develop ten to 15 new dishes in the project proposal stage, and eventually, five to eight new dishes are launched. Considerations include brand positioning, target customers, stability of food supply, operation and standardization.
- *Committee approval.* Our product committee comprises heads of brand teams and heads of departments at our headquarters related to the development of new dishes. The product committee evaluates the new dishes throughout the process and approves the proposed dishes primarily based on whether the new dishes conform to the brand positioning and the sales volume in the trial launch stage.
- *External evaluations.* We also collect feedback from our customers and continue to optimize new dishes according to their feedback.
- *Trial launch and launch.* Before launching a new dish in all restaurants, we conduct a trial launch in certain selected restaurants. We adjust proposed new dish based on the sales volume generated and feedback collected during the trial launch. We continue to track the sales volume and collect feedback from our customers after the official launch, which help us assess the level of market acceptance to the newly introduced menu item.

Among the brands we manage and operate, the emphasis of menu development may vary. For example, for Jiu Mao Jiu, our menu development strategy may focus more on the refinement of portion and the improvement of garnishing and presentation of the dishes, making the brand more adaptive to the market's demand and satisfy the expectations of families and groups. For Tai Er, our menu development strategy may include the introduction of seasonal and festive dishes at our restaurants from time to time to cater for the evolving market trends.

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AWARDS AND RECOGNITION

Our achievements over the years have been recognized by numerous awards, including, among others, the following:

<u>Award</u>	<u>Year</u>	<u>Issuing Authority</u>
2018 China Catering Brand Power Top 100 Brands (2018年度中國餐飲品牌力百強品牌)	2018	2018 China Catering Brand Power Summit (2018中國餐飲品牌力峰會)
Outstanding Contribution Enterprise Award (突出貢獻企業獎)	2018	Catering Service Industry Association of Guangdong (廣東省餐飲服務行業協會)
40 Years of Reform and Opening-up of Guangdong Commercial Growth Enterprises (改革開放40年廣東商業成長企業)	2018	40th Anniversary of Guangdong Merchants (粵商40周年)
40 Years of Reform and Opening-up China's Catering Industry Entrepreneurial Development Outstanding Contribution Enterprise Title ("改革開放40年中國餐飲行業創業發展突出貢獻企業"稱號)	2018	Chinese Cuisine Association (中國烹飪協會)
Gourmet Landmark Award ("美食地標"獎)	2018	Guangzhou Food Industry Fifth Association (廣州飲食行業五大協會)
2017 Top 100 Guangdong Catering Enterprises ("2017年度廣東餐飲百強企業"稱號)	2018	Catering Service Industry Association of Guangdong (廣東省餐飲服務行業協會)
2017 Top 50 Guangdong Chains ("2017年度廣東連鎖五十強"稱號)	2018	Guangdong Chain Operations Association (廣東省經營連鎖協會)
2018 Top 100 Most Innovative Chinese Food (2018中國餐飲最具創新力100)	2018	Catering Boss Internal Reference (餐飲老闆內參)
Outstanding Contribution Award (突出貢獻獎)	2018	Chinese Cuisine Association (中國烹飪協會)
Chinese Takeaway Leading Brand "Golden Diamond Award" (中國外賣領航品牌"金鑽獎")	2018	China Food Expo (中國餐博會)
2017 China Catering Brand Power Top 100 Brands (2017年度中國餐飲品牌力百強品牌)	2017	2017 China Catering Brand Power Summit (2017中國餐飲品牌力峰會)

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COMPETITION

The Chinese cuisine market in China is intensely competitive with respect to food quality and its consistency, price, ambience and service, stable supply of high-quality ingredients and availability of trained employees. Key success factors in the industry include unique food offerings, restaurant management abilities, brand design and operation, and standardization of product offerings and service provision. According to Frost & Sullivan, the revenue of the Chinese cuisine market in China grew at a CAGR of 9.4% from RMB2,381.5 billion in 2014 to RMB3,416.2 billion in 2018. It is expected that the revenue of the Chinese cuisine market will further grow at a CAGR of 8.3% to reach RMB5,501.8 billion in 2024.

Our major competitors include other Chinese cuisine restaurant brands with chain restaurants mainly located in shopping malls.

We believe we are competitively positioned because of our distinctive brand design ability, successful restaurant network development strategies, comprehensive brands support, scalable and standardized business models, and strong operational management capabilities.

EMPLOYEES

As of December 31, 2016, 2017, 2018, June 30, 2019 and the Latest Practicable Date, we had a total of 6,779, 7,887, 9,766, 11,438 and 12,652 full-time employees, respectively. The continuing increase in the number of our employees during the Track Record Period was primarily due to our general expansion. Substantially all of our employees are in China, specifically in Guangdong province. The table below sets forth our full-time employees by functions as of the Latest Practicable Date:

Function	Number of Employees (Full time)	Percentage of Total Number of Employees (%)
Management and administrative staff	74	0.6
Finance and compliance	75	0.6
Procurement	52	0.4
Central kitchens and production	451	3.6
Operations management	110	0.9
Restaurant staff	11,638	92.0
Food Safety and quality control	45	0.4
Marketing and promotion	42	0.3
Research and development	41	0.3
Others	124	1.0
Total	12,652	100.0

Our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees. We believe we offer competitive wages and other benefits to our employees, and also offer discretionary performance bonuses as further incentives. We also granted restricted stock units as share incentives to qualified directors and employees, see “Statutory and General Information — D. Share Incentive Schemes — Restricted Stock Unit Scheme” in Appendix IV. Our staff costs include all salaries and benefits payable to all our employees and staff, including our Directors and management team, headquarters staff, production facilities staff, and staff of our self-operated restaurants.

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In addition, our brand managers and their team members hold certain equity interests in the brands they manage. See “— Organizational Structure — Brand-specific Management” for more details.

From time to time, we use third-party labor dispatch service provider to employ temporary employees at our restaurants for the cleaning and dish washing tasks. In addition, we employ part time employees on an hourly basis during restaurant peak hours to better match our staffing levels with customer traffic.

Compensation for our employees includes basic wages, variable wages, bonuses and other staff benefits. For the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019, our staff costs were approximately RMB327.7 million, RMB400.2 million, RMB523.5 million and RMB320.1 million, respectively, representing approximately 28.1%, 27.2%, 27.7% and 25.9% of our revenue.

Recruiting and Retention

We are committed to hiring qualified candidates, including experienced restaurant managers, supporting staff and industry experts, to support our business and operations. We offer competitive wages and benefits, and seek to create a caring and balanced corporate culture to stimulate cooperation and team work and to encourage growth of employees. We are also committed to increasing employee engagement level to improve the efficiency and sustainability of our organization.

In terms of employee retention, we have implemented a number of initiatives, including establishing an orientation program for new employees to instill our corporate values and culture in new employees, conducting employee training programs to improve their job skills and help with their career advancement, providing management training programs on employee retention and encouraging internal communication by conducting employee surveys.

We have also been collaborating with various vocational schools and colleges to provide students with externships and placement opportunities at our restaurants. We believe these collaboration initiatives help provide us with a high-quality supply of both part time and full time employees.

Training

Our organizational affairs department at headquarters is responsible for overseeing the training of managerial staff and our employees, while the human resources division for each brand is responsible for the training of the restaurant-level staff of our self-operated and franchised restaurants. We conduct comprehensive online and offline training programs for all our employees, including our headquarters office personnel, restaurant management personnel and restaurant staff. Successful completion of the relevant training programs is required for promotion and career advancement at each level. We maintain training and performance assessment records for each of our employees to motivate their active participation in the training programs, which improve the standardization and efficiency of our daily operations throughout our Company. We believe our training programs also help promote internal upward mobility, which not only increases employee retention rate, but also produces the management personnel needed for our rapidly expanding restaurant network.

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For example, some of our restaurant staff have advanced through the ranks to become restaurant managers through personal diligence and progressive capability building fostered by our training programs.

Our human resource and operation divisions collaborate to formulate a series of training modules, including restaurant operations, management skills, communication, team building and others. For example, we have published Training Manual (訓練手冊) and Waiter Improvement Manual (店小二升級手冊) for our staff at Jiu Mao Jiu and Tai Er restaurants, respectively. Each manual typically covers food preparation steps, service posture guidance and hygiene standards.

Another fundamental objective of our training programs is to provide a sufficient number of well-trained employees for newly opened restaurants. We generally relocate the restaurant manager or employee with the same level of experience and skills from an existing restaurant to a new restaurant as restaurant manager, where he or she is able to utilize his or her training and know-how and will coordinate trainings of the new restaurant staff within approximately one to two weeks before the expected opening. Our human resources personnel from the headquarters lend support and introduce our standards and culture to the new team members.

Employee Benefits and Labor Relationship

We are required under PRC laws and regulations to make contributions to our employee benefit plans. In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, we made contributions to mandatory employee benefit plans (including pension, work-related injury benefits, maternity insurance, medical and unemployment benefit plans and housing fund) amounting to RMB27.3 million, RMB34.8 million, RMB47.4 million, RMB20.8 million and RMB30.3 million, accounting for approximately 2.3%, 2.4%, 2.5%, 2.4% and 2.5% of our total revenue, respectively.

During the Track Record Period, we had not experienced any major disputes with our employees, and we believe that we maintain a good working relationship with our employees. We do not have a labor union but have an employee representative committee.

INTELLECTUAL PROPERTY

We currently operate our restaurant network under five brands, namely Jiu Mao Jiu, Tai Er, Double Eggs, Cooking Spicy Kebab and Uncle Chef. In connection with these five distinctive brands, we maintain 358 trademark registrations in China. We also maintain a total of 52 trademark registrations in other jurisdictions, including Australia, Canada, France, Germany, Japan, Hong Kong, Macau, Malaysia, New Zealand, Singapore, South Korea, Sweden, Taiwan, the U.S. and the United Kingdom and are in the process of registering 71 additional trademarks in China and three additional trademarks in other jurisdictions. We are working to increase, maintain and enforce our rights in our trademark portfolio, the protection of which is important to our reputation and brand operation and management.

Besides trademarks, we also maintain seven patent registrations in China. In addition, we maintain 13 copyright registrations in China and a total of four domain name registrations in China.

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We did not apply for patents for our recipes because the protection period currently available under PRC patent law is no more than 20 years, and the Patent Administration Department of the State Council is required to publish the content of our recipes after the lapse of eighteen full months from the date of our patent application, which would disclose our secret recipe to the market and would have a material adverse effect on our business. We rely on trade secret protection and confidentiality agreements with key personnel of our research and development and management team to safeguard our interests in this respect.

Our research and development personnel have entered into confidentiality and proprietary information agreements with us. These agreements typically address intellectual property protection issues and require our employees to assign to us all of the inventions, designs, recipe and consolidated know-how they develop during their employment with us. In addition, according to our policy, in our production facilities, each staff member only knows the manufacturing procedures and know-how for his or her own part of the production process.

In addition, we included relevant clauses in our franchise agreements to protect our intellectual property rights and trade secrets. We entered into confidentiality agreements with each third-party supply chain we cooperate with as they may have access to our trade secrets such as recipes, food processing procedures and operating procedures.

In the past, we have found that certain third parties used or imitated our trademarks or trade name without our authorization to operate restaurants in cities where we do not have a presence. Our Directors are of the view that these incidents had not had any material adverse effects on our reputation, prospects, business, results of operations and financial condition. However, there can be no assurance that significant incidents of this nature will not occur in the future. See “Risk Factors — Risks Relating to Our Business — We may not be able to adequately protect our intellectual property, which could harm the value of our brands and adversely affect our business and operation.”

During the Track Record Period, no material claims or disputes were brought against us in relation to any infringement of trademarks, patents or other intellectual property.

INSURANCE

Our Directors consider our insurance coverage to be customary for businesses of our size and type and in line with the standard commercial practice in the jurisdictions where we have operations.

In the PRC, we maintain (i) public liability insurance to cover liability for damages arising out of our business operations for all of our restaurants, (ii) property insurance to protect our business from certain natural disasters and other unfortunate events, and (iii) insurance for employees’ compensation liability for personal injury and illness. We believe that we are covered by adequate property and liability policies with coverage features and insured limits that we believe are customary for similar companies in the PRC. However, our insurance coverage may not be adequate to cover all losses that may occur. See “Risk Factors — Risks Relating to Our Business — Our insurance policies may not provide adequate coverage for all claims associated with our business operations.”

PROPERTIES

We do not own any property but instead lease all of our restaurants sites, central kitchens and headquarters premises. We believe this leasing strategy reduces our capital investment requirements. We do not intend to acquire any property for our restaurant sites in the future. Our depreciation of right-of-use assets and other rentals and related expenses amounted to RMB116.0 million, RMB137.8 million, RMB184.0 million and RMB126.0 million for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively, representing approximately 10.0%, 9.4%, 9.7% and 10.2% of our revenue.

Our leases typically have a term of five years and a rent-free period ranging from two to three months at the beginning of the lease term, with some of the leases providing for a renewal option if we could agree on the renewal terms and conditions with the lessors. We did not experience any significant difficulties in renewing our leases in a timely manner during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, a substantial portion of the lease agreements for our restaurants were under variable rent arrangements and our rent payable typically ranged from 8% to 11% of the revenue of the particular restaurant. Some of these leases also include a minimum rent payment clause, and we are required to pay the higher of the minimum rent and the variable rent. Other leases were under fixed rent arrangements.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as of June 30, 2019, none of the properties held or leased by us has a carrying amount of 15% or more of our consolidated total assets.

Properties Leased in the PRC

As of the Latest Practicable Date, we leased 307 properties in the PRC with an aggregate GFA of approximately 136,344 square meters, which are mainly used as restaurants sites, central kitchens and headquarters premises.

Leased properties subject to potential defects

Some of the above-mentioned leased properties were subject to potential defects as described below (collectively the “**Defective Leased Properties**”). As of the Latest Practicable Date:

- For 38 leased properties (with an aggregate GFA of approximately 18,879 square meters, representing approximately 13.8% of our total leased GFA), the relevant lessors still failed to provide us with sufficient or valid ownership certificates or any form of permission to sublet from the owners, despite the proactive requests we previously made (the “**Leased Properties Pending Title or Authorization Documents**”); and

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- The actual use of eight leased properties (one of which is also among the Leased Properties Pending Title or Authorization Documents) (with an aggregate GFA of approximately 4,268 square meters, representing approximately 3.1% of our total leased GFA) does not fit into the prescribed scope of usage shown on the relevant ownership certificates (the “**Leased Properties with Usage Defects**”).

Among the above 45 Defective Leased Properties, 39 of them are used for restaurants operation, five of them are used as office premises, and one of them is used as staff training center. For the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019, revenue contribution from the restaurants operated at these Defective Leased Properties were approximately RMB195.3 million, RMB247.0 million, RMB273.2 million, RMB128.4 million and RMB171.4 million, respectively.

Legal consequences and potential liabilities

- Without ownership certificates or proper authorization from the owners, our use of the leased properties may be affected by third parties’ claims or challenges against the lease. This may result in our relevant lease agreements to be deemed invalid, and we may be required to vacate the Leased Properties pending Title or Authorization Documents and relocate our restaurants.
- However, in the event that we are unable to continue using the Leased Properties pending Title or Authorization Documents for operations, based on the advice of our PRC Legal Advisor, we as the tenant will retain statutory rights to refuse rental payments or claim reductions in rent. It is the lessors’ responsibility to obtain the title certificates to enter into the leases, while as a tenant we are not liable for the title defects.
- For the Leased Properties with Usage Defects, as advised by our PRC Legal Advisor, administrative penalties may be imposed on the owners if the properties are leased for the usage incompatible with the prescribed scope, and our usage of the Leased Properties with Usage Defects may be interrupted. However, as a tenant, we are not subject to any penalties in this regard.
- Furthermore, as of the Latest Practicable Date, 15 lease agreements related to the Leased Properties pending Title or Authorization Documents and four lease agreements related to the Leased Properties with Usage Defects have included clauses that allow us to be indemnified by the lessors. These contractual and statutory protections significantly mitigate our risk arising from the Defective Leased Properties.

Current status

- Our Directors believe that those Defective Leased Properties would not have a material adverse effect on our business and results of operations, considering that (i) the total GFA of the Defective Leased Properties only accounts for a small percentage of that of our total leased properties; (ii) our leases for the Defective Leased Properties were not challenged by third parties that had resulted or involved us as defendant in dispute, lawsuit or claim in connection with the rights to lease and use the Defective Leased Properties occupied by us during the Track Record Period and up to the Latest Practicable Date; (iii) it is unlikely that our rights to lease and use will be affected by claims or enforcement actions by the relevant authorities or third parties at the same time, considering that these properties are geographically dispersed and the agreements

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were entered into with different lessors; (iv) we would be able to relocate to a different premise relatively easily should we be required to do so by the relevant authorities or third parties; and (v) our Controlling Shareholders have agreed to indemnify us for all losses we may incur as a result of any such defects.

- Upon expiry of these lease agreements, we will assess the legal risk and will not renew a lease agreement if the risk is too high.

Lease Registration

Based on the advice of our PRC Legal Advisor, the lease agreements for 216 of our leased properties as of the Latest Practicable Date were not registered with the appropriate government authorities in the PRC.

Causes of historical non-compliance

- During the Track Record Period, the relevant lessors failed to provide us with sufficient documents for the lease registrations, such as property ownership certificates or other proof of authorizations to lease the properties to us. See “— Properties Leased in the PRC — Leased Properties Subject to Potential Defects” above for more details.
- The relevant lessors refused to perform necessary procedures for lease registration.

Legal consequences and potential liabilities

- According to the provisions of the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), parties to the lease must register the lease with the relevant housing authorities within 30 days from the execution of the lease. Our PRC Legal Advisor has also advised us that both lessor and lessee are under the obligation to register and file an executed lease agreement with the relevant land and real estate administration bureau.
- If we fail to make corrections within a specified time limit, a fine ranging from RMB1,000 to RMB10,000 may be imposed on us for each non-registration, which indicates that the aggregate amount of maximum fine will be approximately RMB2,160,000 for all our non-registrations.

Current status

- No penalty had been imposed on us for our failure to register or file the relevant lease agreements during the Track Record Period and up to the Latest Practicable Date.
- As advised by our PRC Legal Advisor, failure to register an executed lease agreement will not invalidate the lease agreement.
- In addition, our Controlling Shareholders have agreed to indemnify us for all fines and penalties we may incur as a result of any such non-compliance.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

We are subject to national and local environmental laws and regulations in the PRC. Under applicable PRC laws and regulations, any restaurant construction or renovation must normally be approved by the relevant environmental protection authorities before the commencement of the construction or renovation work, and the restaurant needs to pass an onsite inspection by the relevant environmental protection authorities following the completion of the construction or renovation work, before commencing its operation. After September 1, 2016, restaurants having less than six cooking ranges and that are not located in environmentally sensitive zones, are no longer required to complete the environmental protection approval process, but are required to complete an environmental impact registration online. For certain types of restaurants whose operations involve minimal environmental impact, they are exempted from this registration obligation in certain cities or regions. For example, dessert and drink shops utilizing clean energy and not producing cooking fumes are exempted from filing registration forms disclosing the environmental impact under some local regulations. To ensure continuing compliance with applicable laws and regulations, the relevant environmental protection authorities conduct site visits to restaurants from time to time and inspect for non-compliance. If any incident of non-compliance is found during such a visit, the regulatory authorities would order the restaurant operator to rectify the non-compliance. If the restaurant operator fails to rectify the non-compliance in a timely manner, the regulatory authorities may suspend the operation of the restaurant and/or impose a fine on it.

Due to the nature of our operations, we believe the waste we produced is not hazardous and has minimal impact on the environment. In order to comply with the relevant environmental laws and regulations, we have undertaken wastewater and solid waste disposal and processing measures, such as (i) installing proper wastewater treatment devices as required by PRC laws and regulations to process our wastewater at our self-operated restaurants and production facilities; (ii) daily collection of solid waste for which we contract qualified waste management companies; and (iii) timely payment of wastewater processing fees to the relevant authorities. See “Regulatory Overview” for additional information. Our Directors are of the view that the annual cost of compliance with applicable PRC environmental laws, regulations and policies was not material during the Track Record Period. In 2016, 2017 and 2018 and the six months ended June 30, 2019, our cost of compliance with environmental protection rules and regulations was approximately RMB1.2 million, RMB1.6 million, RMB2.0 million and RMB1.1 million, respectively. We expect our annual cost of compliance with environmental protection rules and regulations for 2019 to be RMB2.7 million.

We are also subject to the PRC laws and regulations regarding labor, safety and work-related incidents. We strive to provide a safe working environment for our employees. We have implemented work safety guidelines for all our employees that set out our work safety policies and promote safety on work sites. In addition, our kitchen operation manual provides clear guidance on various occupational and restaurant safety matters, which our restaurant-level staff are required to follow. Our staff are also required to follow a separate set of work safety guidelines to ensure work safety at every step of any maintenance work. We provide our staff with safety equipment, which they are required to wear to perform any maintenance work. Furthermore, senior technicians must possess the relevant qualifications for any electricity maintenance or installation work performed. We have also implemented an

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internal control system to ensure the proper documentation of any workplace safety incidents. We believe these measures help reduce the number and seriousness of work injuries of our employees and are adequate and effective to prevent serious work injuries.

LEGAL PROCEEDINGS

From time to time we have been, and may in the future be occasionally, involved in routine legal proceedings or disputes in the ordinary course of business that are common for our industry, including minor employment disputes, customer complaints regarding food quality and contract disputes with our suppliers or service providers. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any litigation or arbitration proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material adverse effect on our business, reputation, financial condition or results of operations.

INCIDENT RELATING TO A FORMER EMPLOYEE

Background

To cope with the expansion of our restaurant network, increasing demand for a stable and quality supply of frozen pork as well as for our cost-control measures, we started to import frozen pork from various European countries such as Spain, the United Kingdom and Denmark in 2015. We place purchase orders directly with our overseas suppliers or their trading agents who are independent third parties. We also appointed an independent third party as our exclusive customs agent (the “**Customs Agent**”) which provides services such as foreign exchange payment, customs declaration, customs clearance and warehousing. Because of the limited storage space of our self-operated freezer rooms, the imported frozen pork, after declaration at customs, was temporarily stored at the Customs Agent’s warehouse. The imported frozen pork would only be transferred to our own warehouse when requests are made by our procurement department. Due to our limited experience in overseas procurement and misunderstanding of some of the terms of the procurement contracts regarding when the risks and rights were passed from the overseas suppliers to us, inventories were not timely recognized when frozen pork was delivered on board at the ports for shipment; instead, inventories were recognized when frozen pork was delivered to our supply department.

From 2015 to 2018, Mr. Xu Jiajia (“**Mr. Xu**”), a former procurement supervisor, was the only staff in our procurement department responsible for the procurement and giving instructions to the Customs Agent for the transfer of frozen pork out of the warehouses of the Customs Agent. Since other procurement personnel were not sufficiently proficient in English to communicate with the overseas suppliers and handle matters regarding import procedures, they were not able to perform enough supervision over Mr. Xu.

In early 2018, our management noted unreasonable levels and turnover days of prepayments in relation to the overseas procurement of frozen pork and commenced related internal investigation. Our management requested inspection of our inventories being kept in the Customs Agent’s warehouse and demanded Mr. Xu to hand over the contact information and transaction records with the overseas suppliers. We started to recruit experienced procurement personnel with a view to improving the management of our procurement department. We appointed Mr. Sheng Wenming (“**Mr. Sheng**”) in mid 2018 as the new procurement director, to be in charge of the procurement department. We then assigned two

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employees to replace Mr. Xu in the procurement process of import frozen pork including direct communication with the Customs Agent and suppliers. On December 25, 2018, given the evidence gathered during our internal investigation, Mr. Xu confessed his acts of misappropriation of part of the inventories of imported frozen pork and that he personally gained through unauthorized sales to independent third parties (the “**Incident**”). Our Group immediately reported the Incident to the public security bureau in the PRC. After the investigation by the public security bureau on this matter, Mr. Xu’s case of economic crime was formally opened by the police on February 10, 2019. Mr. Xu had gone missing and an arrest warrant was issued against him. The case was still in progress as of the Latest Practicable Date.

A loss of RMB3,066,000, RMB9,889,000 and RMB22,149,000 was recognized as inventory loss for the years ended December 31, 2016, 2017 and 2018, representing 0.8%, 1.9% and 2.8% of our Group’s total procurement amount and 16.4%, 18.6% and 46.8% of our Group’s total procurement amount of imported frozen pork during the corresponding periods, respectively.

Remedial actions taken by the Company following the Incident

Our Group has taken the following measures to prevent the recurrence of similar incidents in the future, and there was no recurrence of such incident subsequent to the Incident.

Actions with the Customs Agent

After discovering the Incident, we immediately notified the Customs Agent and the overseas suppliers that Mr. Xu is no longer authorized by the Group to deal with them. The Customs Agent fully cooperated with the public security bureau for the investigation and dismissed the relevant employee who was the sole contact of Mr. Xu. Communication mechanism between our Group and the Customs Agent was improved and formalized. Notification of arrival of goods at the Customs Agent’s warehouse is timely sent to our designated staff in our procurement department and at the same time copied to our finance department. Only designated staff of our procurement department can give instructions for the delivery out of the Customs Agent’s warehouses, which shall be at the same time copied to our supply and finance department.

Review of internal controls by our Group

In December 2018, our Group inquired with employees in the procurement department, finance department and supply department to identify deficiencies which led to the Incident and started to take rectification measures, including segregation of duties, enhancing finance management and collaboration across different departments.

Appointment of internal control consultant

We engaged an independent internal control consultant, BT Corporate Governance Limited (formerly known as Corporate Governance Professionals Limited, the “**Internal Control Consultant**”) to perform an independent investigation and assessment on the effectiveness of our internal controls associated with the Incident, to identify deficiencies in our internal control system and to furnish recommendations on enhancing our internal control

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measures to prevent future similar incident. We formulated the enhanced policies and procedures on procurement in mid February 2019, which included, among others, the standard of practice by the procurement department, working capital management by the finance department, inventory control by the supply department and the overall financial and operational control by our headquarters. These were subsequently reviewed and approved by all the heads of the relevant departments of our Group and formally implemented in early March 2019, and corresponding actions taken include, among others, the following:

- *Segregation of duties.* The segregation of duties in the procurement department was clearly defined by designating different staff for different functions and responsibilities.
- *Documentation of transactions.* Documents throughout the procurement process, including assessment of suppliers, price quotes and purchase orders were properly kept and maintained for record purpose.
- *Sophisticated monitoring and approval process.* Our Group employed qualified personnel who possess appropriate language and relevant skills and knowledge to handle and monitor the goods import process. The procurement staff was required to choose suppliers based on the recent quotes, compile written orders and submit the same to the procurement officer for review and approval. All purchase orders must be duly signed, authorized and properly kept by the procurement department.
- *Collaboration across multiple departments.* The Group strengthened collaboration across multiple departments and required that (i) once purchase orders were made by the procurement department, the relevant information shall be copied to other departments at the same time; (ii) the supply department, being immediately aware of the order status, shall actively follow up by updating records; and (iii) the finance department shall reconcile the prepayments and inventories with the Customs Agent and trace the procurement status. Instead of working in isolation, there are always multiple departments collaborating on each stage of the transactions. It is also required that, the procurement department, in cooperation with the finance department, shall compile ledgers for the imported meat transactions and make weekly updates. The ledgers shall include key information regarding orders, contracts, payments, shipments and deliveries for all transactions. The updates shall be sent to the procurement, finance and supply departments through emails for approval by those department heads, in order to ensure each transaction is properly followed up and dealt with.
- *Strengthened inventory management.* For the imported goods stored at the Customs Agent, our Group required the procurement department to perform monthly inventory stock take, and the finance department for unscheduled inventory stock take, in order to strengthen internal control over inventories.
- *Enhanced finance management.* The review of prepayment aging analysis has been regularly performed by the finance department. In addition, we ensured that the inventory recognition was carried out when the goods were on board at ports for shipment to us, in contrast with the prior practice of inventories only being recognized when the goods were received by our supply department. This is the fair reflection of the commercial substance and risk transfer, and consistent with the accounting standards.

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In July 2019, our Internal Control Consultant conducted a follow-up review of our Group's enhanced internal controls by examining sampled transactions which took place between March and June 2019. Based on the follow-up review, the Internal Control Consultant concluded that the rectification of our Group's internal control procedure over procurement process have been completed, the enhanced internal control systems as recommended by the Internal Control Consultant have been adopted and are in place, and no internal control deficiencies were identified.

Formation of a Risk Management Committee

The Company formed a Risk Management Committee on August 12, 2019, which aims at establishing an on-going monitoring mechanism at the most senior and independent level. The Risk Management Committee comprises all the three independent non-executive Directors, Mr. Deng Tao, Mr. Zhong Weibin and Mr. Ivan Xu, and is chaired by Mr. Deng Tao, who has accounting and internal audit experience. Our Risk Management Committee will carry on its independent and regular review of the effectiveness of our Group's procurement system and provide advice if necessary, which is also in furtherance of the review of the internal control system by the Audit Committee after Listing.

Appointment of key personnel

We have also reviewed our human resource policy and appointed key personnel to enhance the procurement management. Mr. Sheng, as the new procurement director, commenced his duty in mid 2018. Mr. Sheng has over 14 years of experience in the food supply chain industry and had previously worked in several multinational enterprises specializing in supply chain management. In addition, in early February 2019, we appointed a new procurement supervisor for overseas procurement who directly reports to Mr. Sheng. Our Group also appointed a new deputy director of the finance department, Mr. Su Danman ("Mr. Su"), who had over seven years of auditing experience in KPMG. Mr. Su's joining of our Group significantly contributed to the enhancement of our Group's finance management system.

Training and development

Our senior management, as well as all relevant department supervisors and key personnel related to our Group's procurement have received compulsory and comprehensive training on finance management, operational management and internal audit and control, which were provided by the Internal Control Consultant. The training involved all key steps including but not limited to supply chain management, budgeting, contract compliance, inventory management, account reconciliation and payment. In addition, the training reinforced our education on professional ethics and internal policy.

Views of our Directors and the Sole Sponsor

Based on our internal and external investigations, the assessment results of the Internal Control Consultant and the remedial actions taken above, our Directors are of the view that (i) the Incident is merely Mr. Xu's individual acts in pursuit for his personal benefit, and neither our Company nor any of our Directors, senior management or other employees is part of such acts; (ii) our Group has enhanced the internal controls to prevent similar incident in the future and no similar incidents occurred after December 2018; (iii) the Incident will not have any

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material adverse effect on our future business, financial condition and results of operations; (iv) the Incident does not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08, 3.09 and 8.15 of the Listing Rules; and (v) our Company is suitable for Listing under Rule 8.04 of the Listing Rules having considered, among other things, the following:

- All financial losses resulting from the Incident have been fully reflected in the Company's Historical Financial Information as set out in Appendix I;
- No evidence suggesting any dishonesty or non-compliance by our Company, Directors, senior management or other employees have been discovered in relation to the Incident; and
- It is not expected that the final settlement of this Incident will have any further material negative impact on our future business, financial condition or results of operations.

Based on the background information provided by the Company on the Incident, our remedial actions taken in response to the Incident as mentioned above and the Sole Sponsor's due diligence work conducted, which include, among others, review and discussion with the Internal Control Consultant on the follow-up report, review on the basis of the calculation of the inventory losses, the Sole Sponsor concurs with the Directors that the Incident will not have any material adverse effect on our future business, financial condition and results of operations and the Sole Sponsor is of the view that (i) our enhanced internal control measures are adequate and effective; (ii) the suitability of our Directors to act as directors of a listed issuer under Rules 3.08, 3.09 and 8.15 of the Listing Rules would not be affected; and (iii) our Company is suitable for Listing under Rule 8.04 of the Listing Rules.

LICENSES, REGULATORY APPROVALS AND COMPLIANCE

In accordance with the relevant laws and regulations in the PRC, we are required to obtain various approvals, licenses and permits to operate our restaurant business, including the Food Business License (《食品經營許可證》), filling of the Environmental Impact Registration Form for Construction Projects (《建設項目環境影響評價登記表》), examinations and verifications of fire safety designs, fire safety acceptance checks and the record-filing for construction projects (建設工程的消防設計審核、消防驗收、備案) and the Certificate for the Fire Safety Inspection of Public Gathering Places before the Use or Commencement of the Business Operations (《公眾聚集場所投入使用、營業前消防安全檢查合格證》) (“**Fire Safety Inspection Approvals**”), which could be obtained upon satisfactory compliance with, among other things, the applicable laws and regulations in relation to food safety, environmental protection and fire safety.

Our Directors, as advised by our PRC Legal Advisor, confirm that as of the Latest Practicable Date, we have complied with the relevant PRC laws and regulations in all material respects and have obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations in China, except as disclosed below.

E-Commerce Law

Since January 1, 2019 when the E-Commerce Law became effective, we have conducted the following e-commerce activities subject to the E-Commerce Law:

- we sold pre-packaged food through our WeChat Official Accounts, “Jiu Mao Jiu” and “Tai Er”, which are linked to the respective electronic malls supported by an e-commerce platform provider in the PRC. “Jiu Mao Jiu” electronic mall has been operated by Guangzhou Jiumaojiu since October 19, 2018. In September 2019, we initiated the deregistration process for “Jiu Mao Jiu” electronic mall due to the low volume of sales and the imminent expiry of the service agreement entered into with the e-commerce platform provider in the PRC. We have removed all the goods from “Jiu Mao Jiu” electronic mall, announced that we have ceased operation and have completed the deregistration in accordance with the platform rules of the e-commerce platform provider in the PRC. “Tai Er” electronic mall has been operated by Tai Er Catering since November 20, 2018; and
- all Jiu Mao Jiu restaurants, all Double Eggs restaurants and the Cooking Spicy Kebab restaurant offered delivery service through e-commerce platforms in the PRC.

Guangzhou Jiumaojiu is an e-commerce operator under the provisions of the E-Commerce Law. Guangzhou Jiumaojiu had applied for a food business license which was valid from June 15, 2017 to February 5, 2021. Upon a change of its place of business in August 2018 to one with which a Jiu Mao Jiu restaurant has applied for a food business license, it could not apply to the relevant authorities for updating its food business license to reflect the change of its place of business because the relevant authorities only issue one food business license for each place of business. As a result, Guangzhou Jiumaojiu selling pre-packaged food under the original food business license through “Jiu Mao Jiu” electronic mall constitutes a non-compliance with the relevant provisions of the E-Commerce Law. The maximum potential penalty imposed on us for this non-compliance is up to 20 times the revenue from sale of pre-packaged food during the non-compliant period from January to September 2019, being RMB6.5 million, which only accounted for approximately 0.3% of our Group’s revenue in 2018 and hence was immaterial. We are also subject to the risk of confiscation of the revenue generated from this non-compliance by the relevant authorities. The amount of revenue attributable to the sale of pre-packaged food by Guangzhou Jiumaojiu under the original food business license during the non-compliant period from January to September 2019 of RMB0.3 million only accounted for approximately 0.02% of our revenue in 2018, which was immaterial.

In view of the fact that (i) we obtained a confirmation from the Guangzhou Municipal Tianhe District Administration for Market Regulation (廣州市天河區市場監督管理局) on July 15, 2019, which confirmed that, during the period from July 10, 2016 to June 30, 2019, the Guangzhou Municipal Tianhe District Administration for Market Regulation had no record of us being subject to any administrative penalties, being entered into the list of business irregularities or being recorded on the list of untrustworthy enterprises with serious illegality; and (ii) “Jiu Mao Jiu” electronic mall has ceased operation in September 2019 and completed deregistration in November 2019, and as advised by our PRC Legal Advisor, the risk of us being imposed administrative penalties for the non-compliance is remote. Apart from this incident, we have complied with the E-Commerce Law in all material respects. The E-Commerce Law which became effective on January 1, 2019 has no material adverse

impact on our operations. As confirmed by our PRC Legal Advisor, we have not been subject to any administrative penalties by the relevant competent authorities due to violation of the E-Commerce Law as of the Latest Practicable Date.

Fire Safety

Background and reasons for non-compliance

Overview

Under the relevant PRC laws and regulations, all restaurants and central kitchens are required to obtain all necessary licences, permits and approvals including Fire Safety Inspection Approvals (for restaurants) and fire safety acceptance checks results (for central kitchens) before commencement of operations. During the Track Record Period, there were 27, 28, 41 and 37 restaurants in operation without the relevant Fire Safety Inspection Approvals and the central kitchen in Haikou in operation without fire safety acceptance checks results in any period of the respective year/period, respectively.

Major steps in obtaining Fire Safety Inspection Approvals

In general, the major steps in obtaining formal Fire Safety Inspection Approvals from the relevant authorities are: (i) submission of application documents including but not limited to fire safety designs, the professional qualifications of the construction companies in relation to fire safety facilities construction and the approvals of design for the properties where our restaurants or central kitchens are located and fire safety acceptance checks results of the properties where our restaurants or central kitchens are located to the relevant authorities. The examination takes approximately three to 20 working days from the date of the relevant authorities having received all the requisite application documents; (ii) application for fire safety acceptance checks by the relevant authorities upon completion of renovation, which takes approximately ten to 20 working days from the date of the relevant authorities having received all the requisite application documents or report of fire safety acceptance checks results conducted by independent qualified fire safety houses to the relevant authorities for record (as applicable); and (iii) application for final fire safety inspection by the relevant fire safety authorities before commencement of operations, which takes approximately ten to 20 working days from the date of the relevant authorities having received all the requisite application documents. Steps (i), (ii) and (iii) must be completed in such order above. Steps (i) and (ii) apply to our central kitchens while steps (i), (ii) and (iii) apply to our restaurants. After the relevant fire safety authorities have inspected our restaurants pursuant to step (iii) and are satisfied that the relevant fire safety laws and regulations have been complied with, they will verbally confirm that they have no material fire safety concerns. They will then proceed with the issuance of formal Fire Safety Inspection Approvals. Upon satisfaction of step (ii), our central kitchens will be issued with fire safety acceptance checks results.

According to the rules and requirements of certain local authorities, restaurants of construction area below certain square meters (which varies according to local requirements) either (a) are not required to obtain Fire Safety Inspection Approvals after submitting application documents and applying for fire safety acceptance checks as required in step (i) and step (ii); or (b) are only required to directly apply for Fire Safety Inspection Approvals as required in step (iii) without going through step (i) and step (ii); or (c) are not required to submit application documents, apply for fire safety acceptance checks and obtain Fire Safety Inspection Approvals as required in step (i), step (ii) and step (iii).

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Our internal policies on restaurant and central kitchen opening

During the Track Record Period, we had the following internal policies on restaurant and central kitchen opening.

Site selection

Other than the selection criteria as set out in “— Restaurant Operations — Development and Expansion Plans of Our Restaurant Network — Site Selection” and commercial reasons, we also require 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 relevant regulatory requirements including, among others, on fire safety and whether the building of the site has been equipped with the relevant fire safety facilities. Our engineering department will ensure the relevant properties or sites have already obtained the relevant Fire Safety Inspection Approvals or satisfied with the relevant fire safety acceptance checks requirements. Our engineering department will obtain the floor plans of the relevant properties and the structure plans of the relevant sites and conduct on-site inspections to ensure that fire safety designs are already in place. 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.

Based on the recommendation made by our engineering department and other factors such as our Group’s overall strategic plans for site selection, our site selection committee comprising five members, namely, Mr. Li Zhuoguang, our Chief Financial Officer, Mr. Hu Zhonghua, our director of development of Guangzhou Jiumaojiu, Mr. Huang Bobo, our director of engineering of Guangzhou Jiumaojiu, whose background information is set out in “Directors and Senior Management”, the relevant brand manager and director of operations of the relevant brand will make the final decision by a majority vote on whether the lease agreements will be entered into.

All of our restaurants are located at major commercial centers and a majority of the properties where our restaurants are located are shopping malls developed and operated by major property developers in the PRC, some of which are listed companies.

All the shopping malls where our 287 restaurants are located as of the Latest Practicable Date have complied with the relevant fire safety laws and regulations or have been allowed to be in operation subject to the regular fire-related supervision of and inspection by the relevant authorities from time to time.

Lease agreements

Lease agreements for our restaurants and central kitchens typically include contractual terms providing that the owners of the relevant properties shall be responsible for 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 and shall continuously assist us in making such applications by providing the required fire safety documents.

Design and renovation

We engage various independent construction companies with professional qualifications in fire safety facilities construction to provide us with designs in accordance with the relevant regulatory requirements including, among others, on fire safety and sewage treatment. We start to apply for relevant Fire Safety Inspection Approvals during the renovation of our restaurants, and the relevant competent authorities will come to our restaurants during renovation for regular inspections and provide advice, if appropriate. Our engineering department conducts preliminary acceptance inspections prior to completion of renovation of our restaurants.

Each of our restaurants and central kitchens was designed and constructed in compliance with the relevant fire safety laws and regulations and equipped with the necessary fire safety facilities. The renovations and construction are carried out by independent qualified construction companies and are overseen by our engineering team, which is well experienced in construction and renovation works of restaurants and central kitchens. Our engineering team is supervised by a manager and a deputy manager who has over nine and six years, respectively, of experience in the engineering industry and is headed by our director of engineering of Guangzhou Jiumaojiu, Mr. Huang Bobo, whose background information is set out in “Directors and Senior Management — Senior Management”. The manager and deputy manager have sufficient industry experience and are responsible for overseeing the work of the independent qualified construction companies.

Upon completion of the renovation of our restaurants and construction of our central kitchens and compliance with all of our internal requirements on fire safety control which are based on the relevant fire safety laws and regulations, we apply for the fire safety acceptance checks with or report fire safety acceptance checks results conducted by independent qualified fire safety houses to the relevant authorities (as applicable). The relevant fire safety authorities will inspect our restaurants and verbally confirm that they do not have material fire safety concern. Based on the above, whilst we are waiting for these authorities to issue their formal approvals, we may commence operations for these restaurants as some of our lease agreements require us to open our restaurants within a certain period. Our restaurants and central kitchens are subject to the regular fire-related supervision of and inspection by the relevant authorities.

Fire safety non-compliance of our restaurants

During the respective year/period of the Track Record Period, there were 15, eight, 21 and 16 restaurants, which commenced operations before obtaining the relevant Fire Safety Inspection Approvals due to reasons other than the lease agreement requirements. We were required by the relevant property owners, although not being specified in the lease agreements, to open our restaurants in order to match with their strategic plans and/or schedules for commercial promotions. After considering our strategic plans of restaurant opening including but not limited to the importance of the sites selected by us and to maintain a cordial relationship with these property owners, we commenced operations for these restaurants before obtaining Fire Safety Inspection Approvals. In some circumstances, the issuance of Fire Safety Inspection Approvals for our restaurants has been affected or delayed.

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For those restaurants which commenced operations before obtaining the relevant Fire Safety Inspection Approvals, we require the relevant fire safety authorities verbally confirm that they do not have material fire safety concern. As of the Latest Practicable Date, five restaurants have not been able to complete the applications for the relevant Fire Safety Inspection Approvals due to issues attributable to the owners of the relevant properties or the nature of such properties. One of these five restaurants has been inspected by the relevant fire safety authorities before its openings and obtained verbal confirmation from these authorities that they have no material fire safety concern. This restaurant has submitted the relevant application documents and passed fire safety acceptance checks. As of the Latest Practicable Date, six restaurants for which the applications for the relevant Fire Safety Inspection Approvals have been affected or delayed due to the Fire Prevention Law (《消防法》) effective on April 23, 2019 have not been inspected by the relevant fire safety authorities before their openings.

Save for the above, the relevant fire safety authorities have inspected all our restaurants which commenced operation without the Fire Safety Inspection Approvals and have subsequently obtained the relevant approvals. Although they did not confirm that these restaurants can commence operations prior to obtaining the formal Fire Safety Inspection Approvals, the relevant authorities verbally confirmed that they do not have material fire safety concern and all of these restaurants have subsequently obtained the relevant approvals. As advised by our PRC Legal Advisor, the relevant fire safety authorities who will inspect our Group's restaurants upon completion of renovation are competent authorities in accordance with Article 15 of the Fire Prevention Law.

Notwithstanding that some of our restaurants commenced operation before we have obtained the relevant Fire Safety Inspection Approvals, all our restaurants are subject to the regular fire-related supervision of and inspection by the relevant authorities and have passed all subsequent regular inspections without material penalties and fines imposed on our Group during the Track Record Period and up to the Latest Practicable Date. Among our restaurants in operation without the Fire Safety Inspection Approvals during the Track Record Period, two restaurants were closed following expiry of the lease agreement in October 2019 and November 2019, respectively, and 21, 22, 33 and 24 restaurants have subsequently obtained the relevant approvals as of the Latest Practicable Date, respectively.

During the Track Record Period, the amount of revenue attributable to those restaurants in operation without the relevant Fire Safety Inspection Approvals during their respective non-compliant periods was RMB90.6 million, RMB97.9 million, RMB102.7 million and RMB99.2 million, respectively⁽¹⁾, and the amount of net profit/(loss) attributable to those restaurants during their respective non-compliant periods was RMB0.8 million, RMB1.1 million, RMB(4.6 million) and RMB2.9 million, respectively⁽¹⁾.

Note:

1. If there was non-compliance during any period of a calendar month during the Track Record Period, the revenue and net profit/(loss) of that calendar month are calculated, respectively. As such, the figures are for illustration purposes only.

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Update on our fire safety compliance

After June 30, 2019 and up to the Latest Practicable Date, we have opened 33 new restaurants which are all in compliance with the fire safety requirements, details of which are set out below:

- (i) 24 of them have obtained Fire Safety Inspection Approvals; and
- (ii) nine of them are not required to obtain Fire Safety Inspection Approvals according to the rules and requirements of certain local authorities due to their smaller construction area.

As of the Latest Practicable Date, we had a total of 11 restaurants and the central kitchen in Haikou for which we had not obtained the requisite Fire Safety Inspection Approval from or completed the fire safety acceptance checks application with the relevant fire safety authorities, details of which are set out below:

- (i) for four restaurants, among which, one, two and one opened in 2013, 2015 and 2016, respectively, they are located at properties with floor design issues attributable to owners of the relevant properties or the nature of such properties⁽¹⁾. Before we can apply for the relevant Fire Safety Inspection Approvals, rectifications on the designs of these properties have to be completed. The operations of all these four restaurants had been suspended as of the Latest Practicable Date, and we will not resume operations until we obtain the Fire Safety Inspection Approvals;
- (ii) for one restaurant which opened in 2018, it is located at a property with usage issues attributable to the owner of the property⁽²⁾. Its operations had been suspended as of the Latest Practicable Date, and we will not resume operations until we obtain the Fire Safety Inspection Approval;
- (iii) for six restaurants, the applications for Fire Safety Inspection Approvals have been affected or delayed due to the Fire Prevention Law effective on April 23, 2019, details of which are set out below:
 - one of them which opened in 2018 had applied to the relevant authorities for the Fire Safety Inspection Approval before commencement of operation. The application was not accepted as the property where it is located required rectifications due to a gas pipeline passing through the restaurant. We added an exhaust valve port to the gas pipeline as agreed with the relevant authorities as rectifications. When we applied again after the property rectifications were completed, the relevant authorities have suspended

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accepting applications, as they have been transferring among themselves the responsibilities for vetting the applications in response to the Fire Prevention Law effective on April 23, 2019; and

- for five of them, all of which opened in 2019, when we planned to apply to the relevant authorities prior to the commencement of operation, the authorities in certain regions have suspended accepting applications due to the Fire Prevention Law effective on April 23, 2019; and
- (iv) for the central kitchen in Haikou, we selected the property at which it is located according to our internal policy on central kitchen opening. The independent construction company with professional qualifications in fire safety facilities construction engaged by us reviewed the floor plans and structure plans of the property and confirmed that the property has satisfied the relevant fire safety requirements except that the property required rectifications on fire safety design in order to obtain a higher level of fire safety infrastructure grading so that the central kitchen can apply for fire safety acceptance checks by the relevant authorities. When we entered into the lease agreement with the property owner in 2016, we expected no significant obstacles but the rectifications on fire safety design have been delayed despite the property owner promised to make the rectifications as soon as possible. The property owner only informed us that its level of fire safety infrastructure grading was sufficient to support the fire safety acceptance checks application for the central kitchen in late 2018. As a result, we could only start the fire safety acceptance checks application for the central kitchen in early 2019 notwithstanding that the central kitchen has been in operation since the first year of the Track Record Period. The progress of our application for fire safety acceptance checks for the central kitchen was also affected by the suspension of accepting applications by the relevant authorities in anticipation of the Fire Prevention Law effective on April 23, 2019. The relevant fire safety authorities inspected the central kitchen and verbally confirmed that they do not have material fire safety concern before commencement of operations. The central kitchen is subject to the regular fire-related supervision of and inspection by the relevant authorities and has passed all subsequent inspections without material penalties and fines imposed on our Group during the Track Record Period and up to the Latest Practicable Date. The relevant authorities have resumed accepting applications and have accepted our application on October 10, 2019. We will closely follow up with the relevant authorities on the application. As of the Latest Practicable Date, there is no update on the progress of our application.

Notes:

1. The floor design issues attributable to owners of the relevant properties or the nature of such properties are as follows:
 - (i) two restaurants are located at areas of the relevant floors of the properties which are not planned to be used for business operations;
 - (ii) the owner of the relevant property altered the design of the floor at which one restaurant is located after we had completed the renovation of the restaurant rendering us unable to apply for the Fire Safety Inspection Approval; and

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- (iii) the design issue of the relevant floor of the property at which one restaurant is located has resulted in a title issue rendering us unable to apply for the Fire Safety Inspection Approval.
2. The usage issues attributable to the owner of the property are that the property where the restaurant is located is not allowed to be used for catering in which case the lease agreement we entered into with the owner of the property expressly provided that the owner is responsible for resolving any issues attributable to the owner of the property or the nature of such property in our application for the Fire Safety Inspection Approval.

We selected the properties at which all of our restaurants were and have been in operation without the Fire Safety Inspection Approvals during the Track Record Period and as of the Latest Practicable Date, respectively, according to our internal policy on restaurant opening. The independent construction companies with professional qualifications in fire safety facilities construction engaged by us reviewed the floor plans and structure plans of the properties. For the five restaurants which we have not obtained the Fire Safety Inspection Approvals due to floor design or usage issues attributable to the owners of the relevant properties or the nature of such properties, the relevant authorities have not provided any timeframe for the issuance of the Fire Safety Inspection Approvals. We had suspended the operations of these five restaurants as of the Latest Practicable Date, and we will not resume operations until we obtain such approvals. We will close these five restaurants if such approvals still cannot be obtained within six months after suspension of operations. During suspension, we will still have to pay the monthly rentals. The total monthly rentals which we will need to pay for these five restaurants are RMB0.2 million. We are entitled to terminate all of these five lease agreements without incurring any penalties or losses since each of them provides that the owner of the relevant property is responsible for resolving any issues attributable to the owner or the nature of the property in our application for the Fire Safety Inspection Approval.

During the Track Record Period, the revenue generated from these five restaurants amounted to RMB25.5 million, RMB35.1 million, RMB36.8 million and RMB19.4 million, respectively, which only accounted for approximately 2.2%, 2.4%, 1.9% and 1.6% of our revenue for the respective periods, and hence was immaterial. During the Track Record Period, the operating profit generated from these five restaurants amounted to RMB0.1 million, RMB0.9 million, RMB0.5 million and RMB10,000, respectively, which only accounted for approximately 0.04%, 0.4%, 0.2% and 0.004% of our operating profit for the respective periods, and hence was immaterial. Based on the immaterial revenue and profit contribution of these five restaurants, our Directors believe that the suspension of operations of these five restaurants would not have any material adverse impact on our business, results of operations or financial condition.

The temporary suspension of accepting applications by the relevant authorities due to the Fire Prevention Law effective on April 23, 2019 has been affecting part of our Group's restaurants pending approvals. When our Company tried to submit the applications for Fire Safety Inspection Approvals in the second half of 2018, the relevant authorities had already suspended accepting applications before the Fire Prevention Law became effective on April 23, 2019 as they have been transferring among themselves the responsibilities for vetting the applications in anticipation of the Fire Prevention Law. The timing of the suspension of accepting applications by the relevant authorities in anticipation of/in response to the Fire Prevention Law is uncertain and varies across different regions. As of the Latest Practicable Date, the application for the central kitchen in Haikou which was so affected has been accepted by the relevant authorities which resumed accepting applications. For those

relevant authorities which have not resumed accepting applications, we are not certain when they will resume accepting applications as the relevant authorities did not provide us with any timeframe but we have been closely following up with them on our applications.

As advised by our PRC Legal Advisor, the various approvals, licenses and permits obtained by our Group to operate our restaurant business and central kitchens, including but not limited to the Food Business License, would not be adversely affected by our Group's failure to obtain the relevant Fire Safety Inspection Approvals for 11 restaurants, our Group's failure to apply for fire safety acceptance checks for the central kitchen in Haikou as of the Latest Practicable Date or the occurrence of any fire safety incidents. Obtaining relevant Fire Safety Inspection Approvals and applying for fire safety acceptance checks are unrelated to the various approvals, licenses and permits obtained by our Group, including but not limited to the Food Business License, and they are supervised by different government authorities, respectively. According to the applicable laws and regulations, the relevant authorities shall not withdraw, revoke or suspend the Food Business License or other approvals/licenses due to the holder's failure to obtain the relevant Fire Safety Inspection Approvals, the holder's failure to apply for fire safety acceptance checks or the occurrence of any fire safety incidents.

Insurance

We have purchased insurance covering liabilities arising from fire safety issues for all of our restaurants and central kitchens. According to the relevant provisions of the Insurance Law of the PRC (《中華人民共和國保險法》) effective as of October 1, 1995 and as last amended on April 24, 2015, any exemption from liabilities of an insurance company must be expressly stipulated in the insurance policies in order to be effective. The relevant insurance policies for all of our restaurants and central kitchens do not provide for any exemption from liabilities of the relevant insurance company in the case that our restaurants and central kitchens are in operation without the Fire Safety Inspection Approvals or fire safety acceptance checks results. As a result, the relevant insurance company shall not be exempted from liabilities only for the reason that our restaurants and central kitchen were and have been in operation without the Fire Safety Inspection Approvals or fire safety acceptance checks results during the Track Record Period and as of the Latest Practicable Date, respectively.

Legal consequences

The relevant authorities may order suspension of construction or use or suspension of operation or business and impose a fine ranging from RMB30,000 to RMB300,000 in the following situations:

- (1) where such construction work failed to undergo legally required fire protection design examination or failed to pass such examination, and the construction has been commenced illegally;
- (2) where such construction work failed to undergo legally required fire control acceptance inspection or failed to pass fire control acceptance inspection, and the place was put into use illegally; and

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- (3) where the public place for which fire safety checks have not been conducted or non-compliance with the fire safety requirements has been discovered, and such public place has been put into use, or business has commenced at such public place illegally.

Rectifications

To ensure the fire safety of our restaurants and central kitchens, we have adopted an enhanced internal policy that we will only enter into the lease agreements with the owners of the relevant properties if the relevant properties where our restaurants are to be located have obtained the relevant Fire Safety Inspection Approvals, and if the relevant properties where our central kitchens are to be located have obtained fire safety acceptance checks results.

To ensure that our restaurants and central kitchens operate safely, we have engaged the Fire Safety Consultant on July 9, 2019 to conduct fire safety inspection on each of the restaurants and the central kitchen that had not obtained the relevant Fire Safety Inspection Approvals or completed the fire safety acceptance checks application as of August 20, 2019. We have also engaged the Fire Safety Consultant to inspect each of the new restaurants, which opened since August 20, 2019 without obtaining Fire Safety Inspection Approvals the applications for which have been affected or delayed due to the Fire Prevention Law effective on April 23, 2019, before commencement of operations to ensure compliance with the relevant fire safety laws and regulations. The Fire Safety Consultant holds the ISO 9001, ISO 14001 and OHSAS 18001 certificates, and its inspection team consists of engineers, including fire safety specialist engineers and constructors, and has undertaken fire safety evaluation work. The Fire Safety Consultant reviewed and inspected the following matters through on-site inspection, functional testing surveys and document review: (i) the compliance of our fire protection system with laws and regulations and industry standards, (ii) the adequacy of the fire safety equipment and system and emergency evacuation plan of premises on which our restaurants are located, (iii) the knowledge of our staff in relation to fire protection management, including our fire safety management personnel and restaurant staff, and (iv) the fire protection and heat insulation capabilities of our restaurant construction materials.

Upon its review, the Fire Safety Consultant has concluded that all of these restaurants and the central kitchen comply with fire safety laws and regulations considering that (i) we have established and implemented fire safety internal control policies in accordance with relevant laws and regulations, including those related to fire safety procedures and emergency evacuation procedures, (ii) these premises are equipped with proper fire safety facilities, equipment and safety signs, all of which are in good condition, (iii) these premises are in compliance with building fire protection and safety standards, (iv) no fire safety-related accidents, administrative penalties or announcement has taken place in relation to these premises, (v) these premises meet the fire safety compliance requirements and can be used for restaurant operations or food storage and processing, and (vi) upon submission of all the requisite documents, there will not be any material impediment in obtaining the relevant Fire Safety Inspection Approvals or in completing the fire safety acceptance checks application.

According to our PRC Legal Advisor, as of the Latest Practicable Date, the relevant authorities had not imposed material administrative penalties on us. With respect to the six restaurants and the central kitchen for which we have been actively preparing all the requisite documents but pending acceptance and vetting by administrative authorities due to transfer of responsibilities among themselves, our PRC Legal Advisor has advised us that (i) if we submit

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all the requisite documents acceptable to the relevant authorities, there will not be any material legal impediment in obtaining the relevant Fire Safety Inspection Approvals for the six restaurants or passing fire safety acceptance checks for the central kitchen, and (ii) upon obtaining such approvals or passing such acceptance checks, in relation to the prior operating activities we had conducted, the risk that we would be subject to administrative penalties by the relevant fire safety authorities is remote.

With respect to the six restaurants and the central kitchen in Haikou for which the Fire Safety Inspection Approval applications and fire safety acceptance checks application are affected or delayed due to the Fire Prevention Law effective on April 23, 2019, we are actively working to advance our applications. When the relevant authorities start accepting and vetting applications again the timing of which we are not certain but we are closely monitoring, we will immediately follow up to obtain the approvals and complete the acceptance checks.

Our Directors believe that these non-compliances would not have a material adverse effect on our business and results of operations, considering that: (i) we did not receive any fines or penalties with respect to these non-compliances during the Track Record Period and up to the Latest Practicable Date; (ii) the maximum potential penalty of RMB3.6 million only accounts for approximately 0.2% of our revenue in 2018; (iii) the non-compliance will not affect the safety of our employees and customers given that the Fire Safety Consultant has advised us that these restaurants and the central kitchen comply with fire safety standards provided by the relevant PRC laws and regulations and are subject to the regular fire-related supervision of and inspection by the relevant authorities; (iv) advice from our PRC Legal Advisor as stated above; (v) it is unlikely that we would be required to close or relocate a significant number of such restaurants by competent authorities at the same time, considering that these properties are geographically dispersed and under the jurisdiction of different authorities; (vi) we maintain a pool of restaurant site candidates and believe we would be able to relocate to a different site relatively easily should we be required to do so by relevant competent authorities; (vii) we undertake that we will ensure an ongoing communication with the relevant authorities, submit application documents timely when the vetting is resumed, and take immediate corrective actions when requested by the relevant authorities; (viii) we have obtained an indemnity from the Controlling Shareholders to indemnify our Group against any claims, fines and other liabilities arising from such non-compliances; and (ix) we are actively working to advance our applications with the relevant government authorities. As a result, we did not make any provisions in connection with these non-compliances during the Track Record Period and as of the Latest Practicable Date.

Except for the restaurants and central kitchen(s) for which the relevant authorities will confirm to us in our inquiries with them prior to commencement of operation that we cannot obtain Fire Safety Inspection Approvals or apply for fire safety acceptance checks or report fire safety acceptance checks results to the relevant authorities for record (as applicable) as a result of their temporary suspension of accepting applications due to the Fire Prevention Law effective on April 23, 2019, the Directors confirm that the Group will only open new restaurants and central kitchen(s) after it has obtained all necessary licences, permits and approvals required under the relevant PRC rules and regulations going forward. The Group will engage qualified fire safety consultant to inspect each of the new restaurants and central kitchen(s) without Fire Safety Inspection Approvals or without completing fire safety acceptance checks applications or without reporting fire safety acceptance checks results to the relevant authorities for record (as applicable) due to the Fire Prevention Law effective on April 23, 2019 to ensure fire safety before commencement of operation. The Group will also engage fire safety consultant during the site selection process to inspect the proposed

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sites for opening new restaurants and central kitchen(s) to ensure that the proposed sites satisfy the requirements of obtaining the relevant Fire Safety Inspection Approvals, completing fire safety acceptance checks applications or reporting fire safety acceptance checks results to the relevant authorities for record (as applicable), failing which we will not select the proposed sites for opening new restaurants and central kitchen(s).

Internal control measures

During the Track Record Period, we had implemented a series of internal control measures in relation to fire safety, and continued to strengthen our internal control system which mainly includes the following aspects:

- *Training.* We conduct extensive trainings for our staff, including periodic trainings on general fire safety awareness and knowledge, and trainings on proper use of fire safety equipment and emergency evacuation plans. We also conduct fire drills at our premises to familiarize our staff with our evacuation plans.
- *Personnel.* We have designated personnel at each of our restaurants responsible for the fire safety. We have also designated personnel at our headquarters responsible for conducting monthly review of fire safety measures at our restaurants.
- *Fire safety policies.* We implement detailed fire safety measures and procedures with respect to our restaurants, including frequent inspection of the stoves and electric appliances in our kitchens, the gas valves, pipes and electrical systems, and the fire safety equipment that we equip on our premises. We have also formulated evacuation plans, fire protection and rescue plans in the event of fire emergency, and have also installed signs for fire evacuation.
- *Equipment.* We equip our premises with the proper fire safety equipment and systems, and regularly assess the need to upgrade our equipment and facilities to achieve better ventilation, humidity, fire and heat protection.
- *License.* In the lease agreements, we require our lessors to provide the relevant documentation needed for us to obtain Fire Safety Inspection Approvals or fire safety acceptance checks results. We also engage a qualified fire safety consultant to conduct inspection on site in order to ensure that the fire protection systems in our newly-opened restaurants comply with standards provided by relevant laws and regulations as well as industry standards.

Views of our Directors and the Sole Sponsor

Our Directors are of the view that the occurrence of the fire safety non-compliances, after the enhanced internal control measures are in place, was due to the policy change rather than any material deficiencies in our Group's internal control measures. After taking into account the above rectification and enhanced internal control measures, our Directors are of the view, and the Sole Sponsor agrees with our Directors, that our Group's enhanced internal control measures (including fire safety measures) are adequate and effective.

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Having considered that: (i) we conducted rectification measures, including but not limited to the engagement of the Fire Safety Consultant to conduct fire safety inspection on each of the restaurants and the central kitchen in Haikou that had not obtained the relevant Fire Safety Inspection Approvals or fire safety acceptance checks results before commencement of operation; (ii) we had implemented a series of enhanced internal control measures including the policies on restaurant opening and central kitchen opening in relation to fire safety during and after the Track Record Period; (iii) some of the restaurants and the central kitchen in Haikou had not obtained the relevant Fire Safety Inspection Approval or fire safety acceptance checks results before commencement of operation in the midst of policy change; (iv) we will engage the Fire Safety Consultant to conduct fire safety inspection before the commencement of operation of new restaurants and central kitchen(s) for which we cannot obtain Fire Safety Inspection Approvals or fire safety acceptance checks results as a result of the temporary suspension of accepting applications for Fire Safety Inspection Approvals and fire safety acceptance checks results due to the Fire Prevention Law effective on April 23, 2019; (v) we have been actively working to advance our applications for the Fire Safety Inspection Approvals or fire safety acceptance checks results for all restaurants and the central kitchen in Haikou that had not obtained the relevant Fire Safety Inspection Approvals or fire safety acceptance checks results before commencement of operation; and (vi) we had suspended operations of the five restaurants without the Fire Safety Inspection Approvals due to floor design or usage issues attributable to the owners of the relevant properties or the nature of such properties as of the Latest Practicable Date, we will not resume operations until we obtain such approvals, and we will close these five restaurants if such approvals still cannot be obtained within six months after suspension of operations, the Sole Sponsor is satisfied that the fire safety non-compliance does not impugn on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules.

Views of the Internal Control Consultant

Based on the following, the Internal Control Consultant is of the view that our Group's restaurant and central kitchen opening policies and procedures and site selection procedures are adequate and effective.

- (i) Our Group has established a set of policies and procedures regarding controls over restaurant and central kitchen opening and site selection procedures since January 1, 2016 and the set of policies and procedures above-mentioned was already circulated to management and all relevant responsible staff. According to the written policies and procedures, the engineering department of our Group is responsible for ensuring that all required licences, including, among others, the relevant Fire Safety Inspection Approvals (for restaurants) or relevant fire safety acceptance checks results (for central kitchens), are obtained before restaurant and central kitchen opening. In this respect, the engineering department maintains a register for all required licences for each restaurant and central kitchen, which lists out the status of all licences. Opening of restaurants or central kitchens is not allowed, if any licence, including Fire Safety Inspection Approval or relevant fire safety acceptance checks result, is not obtained.
- (ii) Since the written policies and procedures already take into account the requirements of the relevant laws and regulations relating to fire safety, compliance with the written policies and procedures as stated in (i) by our Group means that our Group can fully comply with the requirements of the relevant laws and regulations relating to fire safety. Therefore, in regard to internal control system

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design, the Internal Control Consultant is of the view that our Group's existing restaurant and central kitchen opening policies and procedures and site selection procedures are adequate and effective.

- (iii) Based on the result of review of the design effectiveness of the internal control system, the Internal Control Consultant moved on to review the implementation effectiveness of the internal control system.
- (iv) The Internal Control Consultant performed sample testing on the status of licences of restaurants and central kitchens, and noted that for only a few of the restaurants and the central kitchen within the sample, Fire Safety Inspection Approvals or relevant fire safety acceptance checks results were yet to be obtained by our Group before opening.
- (v) The Internal Control Consultant obtained the details of the above deficiency, and noted that our Group had not been able to complete the application for the relevant Fire Safety Inspection Approvals or for the fire safety acceptance checks due to issues attributable to the owners of the relevant properties. Our Group had already performed the following control procedures for application for the relevant Fire Safety Inspection Approvals and fire safety acceptance checks since January 1, 2016, including:
 - the engineering department of our Group performing study of the information of fire safety of the intended site, while verbal confirmation for providing the required fire safety documents had been obtained from the owners of the relevant properties during the site selection process;
 - engaging independent construction companies with professional qualifications in fire safety facilities construction, which itself is a compliance requirement for Fire Safety Inspection Approval application or relevant fire safety acceptance checks results application;
 - incorporating contract terms into the relevant tenancy agreements that the owners of the relevant properties are responsible for providing the required fire safety documents for our Group's Fire Safety Inspection Approvals application and application for or reporting of the fire safety acceptance checks results; and
 - continuously requesting the owners of the relevant properties to provide the required fire safety documents after the tenancy agreements become effective in case fire safety documents are yet to be obtained.
- (vi) Based on the result of internal control system implementation review, the Internal Control Consultant recommended that:
 - the internal control policies and procedures should be strengthened to incorporate the element of control of the engagement of the Fire Safety Consultant;

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- our Group should engage the Fire Safety Consultant to review the regulatory compliance with relevant fire safety laws and regulations and the fire safety control implementation status, if Fire Safety Inspection Approval or relevant fire safety acceptance checks result is yet to be obtained before restaurant and central kitchen opening; and
 - our Group should strictly comply with the internal control policies and procedures regarding controls over restaurant and central kitchen opening and site selection procedures, which stipulate that all licences, including relevant Fire Safety Inspection Approvals or relevant fire safety acceptance checks results, should be obtained before restaurant and central kitchen opening.
- (vii) The Internal Control Consultant performed follow-up review of the above deficiency in August 2019 and the follow-up review was completed by August 23, 2019. The Internal Control Consultant noted that:
- the relevant internal control policies and procedures were updated to include the element of control of the engagement of the Fire Safety Consultant;
 - our Group had engaged Fire Safety Consultant to review its compliance with relevant fire safety laws and regulations and the fire safety control implementation status of our Group, including newly opened restaurants where Fire Safety Inspection Approvals were yet to be obtained; and
 - our Group had opened 37 restaurants during the internal control follow-up review period from March to July 2019, out of which the Fire Safety Inspection Approvals were obtained and fire safety compliance requirement was fulfilled before the opening of 24 restaurants. For the remaining 13 restaurants, the applications for Fire Safety Inspection Approvals are affected by the Fire Prevention Law effective on April 23, 2019, of which Fire Safety Inspection Approvals were obtained after the opening of ten restaurants. Our Group is not certain when the relevant authorities will resume accepting applications but our Group has been closely following up with them on the applications for Fire Safety Inspection Approvals of the remaining three restaurants.
- (viii) Based on the result of internal control follow-up review, the Internal Control Consultant is of the view that our Group has implemented the internal control recommendations.
- (ix) The Internal Control Consultant noted that our Group has adopted an enhanced internal policy that our Group will only enter into the lease agreements with the owners of the relevant properties if the relevant properties where our Group's restaurants are to be located have obtained the relevant Fire Safety Inspection Approvals, and if the relevant properties where our Group's central kitchens are to be located have obtained fire safety acceptance checks results.
- (x) The Internal Control Consultant also noted that our Group had suspended operations of the five restaurants for which our Group has not obtained the Fire Safety Inspection Approvals due to floor design or usage issues attributable to the owners of the relevant properties or the nature of such properties as of the Latest

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Practicable Date, our Group will not resume operations until our Group obtains such approvals, and our Group will close these five restaurants if such approvals still cannot be obtained within six months after suspension of operations.

Social Insurance and Housing Provident Funds

Background and reasons for non-compliance

During the Track Record Period and as of the Latest Practicable Date, social security insurance and housing provident fund contributions for some of our employees were not made timely or in full, by our PRC subsidiaries in accordance with the relevant PRC laws and regulations. We estimate that the aggregate shortfall of social insurance payments and housing provident fund contributions for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 amounted to approximately RMB11.2 million, RMB7.8 million, RMB8.8 million and RMB3.6 million, respectively.

These non-compliances occurred primarily because: (i) our labor force is highly mobile; (ii) certain number of our workers are not willing to participate in the pension schemes of the city where they temporarily reside and instead they chose to participate in local pension schemes offered in their place of residency (in which cases we provide these employees with compensation in lieu of such contributions); and (iii) certain number of our employees are not willing to participate in the housing provident fund scheme (in which case we provide these employees with housing allowance).

Legal consequences

Pursuant to relevant PRC laws and regulations, the under-contribution of social insurance within a prescribed time limit may be subject to an overdue charge of 0.05% of the delayed payment per day. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. Pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require the outstanding payment to be paid within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

We may be subject to the total maximum penalties of RMB90.9 million imposed by the competent authority for not making the social security insurance and housing provident fund contributions for some of our employees timely or in full during the Track Record Period.

Rectifications

During the Track Record Period, we have implemented our policy on the payment of social insurance and housing provident fund contribution for employees in compliance with relevant PRC laws and regulations. We actively encourage and make such contributions for our employees. Despite our effort, we were unable to pay back in full the outstanding social insurance contributions and housing provident fund contributions for some of our employees due to their reluctance to participate in the relevant schemes. In such cases, we provided these employees with compensation and/or housing allowance in lieu of such contributions. As soon as they agree that we make the relevant social security insurance and housing provident fund contributions for them, we will make such contributions for them accordingly.

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from that point onwards. As confirmed with the relevant authorities, we will only be required to pay back in full the outstanding social insurance and housing provident fund contributions for an employee if the relevant employee files a complaint. As of the Latest Practicable Date, we were not aware of any such complaint.

As of the Latest Practicable Date, no material administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance contributions and housing provident funds, nor had we received any order or been informed to settle the under-contributions.

For social insurance, pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018, it is prohibited for administrative enforcement authorities to organize and conduct centralized collection of enterprises' historical social insurance arrears.

Our Directors believe that such non-compliance would not have a material adverse effect on our business and results of operations, considering that: (i) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; (ii) as advised by our PRC Legal Advisor, based on the confirmations from and interviews^{(1), (2)} or telephone enquiries^{(3), (4)} with relevant authorities which encompassed all relevant geographical locations of our Group's operations, the likelihood that we would be required by relevant authorities to pay any shortfall for social insurance and housing provident fund contribution or being subject to material administrative penalties due to our failure to provide full social insurance and housing provident funds contributions for our employees is remote; (iii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay shortfalls or the penalties with respect to social insurance and housing provident funds; (iv) we were neither aware of any employee complaints nor were involved in any labor disputes with our employees with respect to social insurance and housing provident funds; and (v) we have obtained an indemnity from the Controlling Shareholders to indemnify our Group against any claims, fines and other liabilities which may arise from such non-compliances. As a result, we did not make any provisions in connection with these non-compliances during the Track Record Period and up to the Latest Practicable Date.

Notes:

1. The Company has had interviews with the relevant social insurance authorities in Guangzhou, Shenzhen and Haikou, including, among others, Guangzhou Municipal Human Resources and Social Insurance Fund Administration Bureau (廣州市人力資源和社會保險基金管理局). As confirmed by our PRC Legal Advisor, all of them are competent authorities.
2. The Company has had interviews with the relevant housing provident fund authorities in Haikou and Guangzhou, including, among others, Guangzhou Housing Provident Fund Management Centre (廣州住房公積金管理中心). As confirmed by our PRC Legal Advisor, all of them are competent authorities.
3. The Company has made telephone enquiries with the relevant social insurance authorities in Guangzhou, Foshan, Haikou, Shenzhen, Beijing, Tianjin, Wuhan, Nanjing and Shanghai, including, among others, Shenzhen Municipal Human Resources and Social Security Bureau (深圳市人力資源和社會保障局). As confirmed by our PRC Legal Advisor, all of them are competent authorities.

4. The Company has made telephone enquiries with the relevant housing provident fund authorities in Guangzhou, Foshan, Haikou, Shenzhen, Beijing, Tianjin, Wuhan, Nanjing and Shanghai, including, among others, Shenzhen Municipal Housing Provident Fund Management Centre (深圳市住房公積金管理中心). As confirmed by our PRC Legal Advisor, all of them are competent authorities.

Internal control measures

We have taken the following internal control measures to mitigate the risk of such non-compliances:

- *Training and Advice.* Provide legal compliance training to our personnel, including engaging our PRC Legal Advisor to provide advice to our personnel on the relevant laws and regulations;
- *Policy.* Formulate and distribute to our employees an internal control policy with respect to social insurance and housing provident fund contribution in compliance with relevant PRC laws and regulations, which we have implemented during the Track Record Period, including requiring such contributions be made after signing our standard employment contracts which expressly provide for such contributions;
- *Review and record-keeping.* Designate our human resources staff to monitor the payment status and prepare monthly reports of salary and contribution amounts, which shall be reviewed by our human resources department head and our finance department head to ensure that we make these payments in full and on time in accordance with relevant laws and regulations;
- *Increasing awareness of developments in the law.* Regularly keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds; and
- *External counsel.* Consult our PRC Legal Advisor for advice on relevant PRC laws and regulations.

We have implemented our policy on the payment of social insurance and housing provident fund contribution for employees in compliance with relevant PRC laws and regulations. We actively encourage and make such contributions for our employees. We have also obtained written confirmations from the relevant employees who were unwilling to make full contributions that they have waived the rights to such contributions in which cases we provided them with compensation or housing allowance in lieu of such contributions (as the case may be). In view of the above rectification and internal control measures, our Directors are satisfied that our internal control measures are adequate and effective even though such non-compliances occurred despite the measures were already in place during the Track Record Period because the root cause of such non-compliances is out of our control and through no fault of our measures as stated above under the section headed “— Background and Reasons for Non-compliance.”

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Notwithstanding the above, our Directors believe that this would not have a material adverse effect on our business and results of operations for the reasons described in the paragraph above under the section headed “— Legal Consequences.” As of the Latest Practicable Date, we had neither experienced any disagreement from relevant social insurance or housing provident fund authorities with respect to such contributions, nor received any enquiries from local tax authorities regarding social security tax payments in light of the reform plan recently promulgated in the PRC.

Views of our Directors and the Sole Sponsor

Having considered (i) the advice of our PRC Legal Advisor, (ii) the facts and circumstances leading to the non-compliance incidents as disclosed above, (iii) our enhanced internal control measures and (iv) the results of the follow-up review by the internal control consultant as disclosed in “— Risk Management and Internal Control” below, our Directors are of the view, and the Sole Sponsor concurs, that (i) we have adequate and effective internal control procedures in place in accordance with the requirements under the Listing Rules and (ii) the non-compliance incidents will not affect the suitability of the Directors under Rules 3.08 and 3.09 of the Listing Rules and the suitability of our Company under Rule 8.04 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

We have implemented a series of risk management policies and procedures to identify, assess and manage risks we are exposed to in our operations. For details on the major risks identified by our management, see “Risk Factors.” The measures we have taken relate to our restaurant operations, procurement, logistic and food safety and quality.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, in addition to the specific internal control measures that have been taken as described in the sections headed “— Incident Relating to a Former Employee — Appointment of Internal Control Consultant” and “— Fire Safety/Social Insurance and Housing Provident Funds — Internal Control Measures”, we have also adopted and will continue to adopt, the following risk management measures on the Group level:

- We have established an Audit Committee to review and supervise our financial reporting process and internal control system. Our audit committee consists of three members, namely Mr. Deng Tao, who serves as the Chairman, Mr. Zhong Weibin and Mr. Zou Dinghang. For the qualifications and experience of these committee members, see “Directors and Senior Management” for more details;
- We have adopted various policies to ensure compliance with the Listing Rules, including but not limited to requirements regarding connected transactions and information disclosure;
- We will continue to organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong; and

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- We have engaged an internal control consultant to review the effectiveness of our internal controls associated with our major business processes, identify deficiencies and areas for improvement, provide recommendations and review the implementation status of these remedial actions. In addition to the internal control measures we adopted in relation to the Incident and non-compliance incidents, we have also taken measures to improve internal controls in relation to other respects of our operations. The Company has implemented various policies and procedures to ensure effective management in its operation, production, financial reporting and recording, and compliance with applicable laws and regulations. In regard to the system design of the internal control mechanism, the internal control consultant is of the view that the Company's internal control measures are adequate and effective.

Our Directors are of the view that our enhanced internal control system is adequate and effective for our current operations.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account options which may be granted under the Share Option Scheme), Mr. Guan, through his holding company, GYH BVI, will hold and be entitled to exercise in general meetings voting rights attached to Shares representing approximately 46.08% of the issued share capital of our Company. Accordingly, Mr. Guan and GYH BVI will continue to be our Controlling Shareholders under the Listing Rules.

COMPETING INTEREST

Mr. Guan owns Guangzhou Tianhe District Zhujiang Jiumaojiu Shanxi Noodles Restaurant (廣州市天河珠江城玖毛玖山西老麵館) (“**Machang Restaurant**”). Machang Restaurant was not transferred to our Group as Guangzhou Municipal Government does not allow any change of ownership in the land users or occupiers on the land where Machang Restaurant is located due to land-use planning.

To avoid competing business, Mr. Guan, Guangzhou Jiumaojiu and Machang Restaurant entered into a cooperation agreement dated March 31, 2014, which was subsequently replaced by a new cooperation agreement dated December 9, 2019, which will become effective on the Listing Date (the “**Cooperation Agreement**”), pursuant to which, (i) Guangzhou Jiumaojiu shall be responsible for the operation of Machang Restaurant; (ii) management fees (deductible from the operation fees as set out in (iii) below) determined with reference to the total management expenses of all restaurants of our Group and the revenue of Machang Restaurant as a percentage of our total revenue shall be paid to Guangzhou Jiumaojiu by Machang Restaurant; (iii) all profits before taxes of Machang Restaurant during the cooperation period shall be paid to Guangzhou Jiumaojiu as operation fees; and (vi) all losses before taxes of Machang Restaurant during the cooperation period shall be compensated by Guangzhou Jiumaojiu. The Cooperation Agreement will expire on December 31, 2021 and will be automatically renewed unless the parties terminate the agreement upon expiry. Machang Restaurant is not accounted for or consolidated in the consolidated accounts of our Group as a subsidiary.

Except as disclosed above, each of our Controlling Shareholders and Directors confirm that he/she/it does 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, which would require disclosure under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-competition dated December 6, 2019 with and in favor of our Company (for ourselves and as trustee for each of our subsidiaries), under which each of our Controlling Shareholders has undertaken to our Company (for ourselves and as trustee for each of our subsidiaries) that, except for Mr. Guan’s interest in Machang Restaurant, he or it shall not, and shall use his or its best endeavors to procure that none of his or its respective close associates (other than members of our Group) shall, directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement) or as principal or agent, either on his or its own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any members of our Group),

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- carry on, engage, participate or hold any right or interest in, or render any services to, or otherwise be involved in any business which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with the existing business of any member of our Group (the “**Restaurant Business**”), whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise; or
- take any action which interferes with or disrupts or may interfere with or disrupt the Restaurant Business including, but not limited to, solicitation of any of the then current customers, suppliers or employees from any members of our Group.

The Deed of Non-competition does not apply to the relevant Controlling Shareholders’ holding in the shares of a company where:

- (i) the total number of shares held by all of our Controlling Shareholders and their close associates does not exceed 10% of the issued shares of such company which is or whose holding company is listed on a stock exchange or (ii) the total number of shares held by all of our Controlling Shareholders and their close associates does not exceed 30% of the issued shares of such company which is not or whose holding company is not listed on any stock exchange; provided that our Controlling Shareholders and their close associates do not have the right to nominate 50% or more members of the board of directors of such public or private company; or
- any Restaurant Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of its total turnover or total assets, as shown in its latest audited accounts.

The respective obligations of each of our Controlling Shareholders under the Deed of Non-competition shall become effective on the Listing Date and shall terminate on the earliest of (i) the Shares cease to be listed on the Stock Exchange; and (ii) our Controlling Shareholders and their close associates (other than members of our Group), individually or jointly, cease to hold or control, directly or indirectly, 30 per cent. or more of the entire issued share capital of our Company.

Each of the Controlling Shareholders has further undertaken that if he/it or his/its close associates (other than any member of our Group) is offered or becomes aware of any business opportunity which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with the Restaurant Business, he/it shall and shall procure his/its close associates to promptly notify our Group in writing and our Group shall have a right of first refusal to take up such opportunity. Our Group shall, within 30 days after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the relevant Controlling Shareholder(s) whether our Group will exercise the right of first refusal.

Our Group shall only exercise the right of first refusal upon the approval of all independent non-executive Directors who do not have any interest in such opportunity. The relevant Controlling Shareholder(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Company will adopt the following procedures to monitor that the Deed of Non-competition is being observed:

- (i) our independent non-executive Directors shall review on an annual basis the above undertakings from the Controlling Shareholders and evaluate the effective implementation of the Deed of Non-competition;
- (ii) each of the Controlling Shareholders has undertaken to provide any information as is reasonably required by our Group or our independent non-executive Directors as a basis to decide whether to exercise the right of first refusal by our Company from time to time; and
- (iii) each of the Controlling Shareholders has undertaken to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition, and to provide an annual confirmation on the compliance of the non-competition undertaking for inclusion in the annual report of our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective close associates after the Listing.

Management Independence

Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. Although Mr. Guan is chairman of the Board, an executive Director and also a Controlling Shareholder and the sole director of GYH BVI, our management and operational decisions are made by all our executive Directors and senior management, most of whom have served our Group for a long time and all of whom have substantial experience in the industry in which we are engaged and/or in their respective fields of expertise. The balance of power and authority is ensured by the operation of our senior management team and our Board. See “Directors and Senior Management” for further details.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. Further, we believe our independent non-executive Directors will bring independent judgment to the decision-making process of our Board. In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, we have full rights to make all decisions regarding, and to carry out, our own business operations independently. Our Company (through our subsidiaries) holds or enjoys the benefit of all the relevant licenses necessary to carry on our business, and has sufficient capital, equipment, access to customers and suppliers, and employees to operate our business independently from our Controlling Shareholders and their respective close associates. In addition, our organizational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal control measures to facilitate the effective operation of our business.

Apart (i) from the transaction set out in “Connected Transactions” and (ii) two lease agreements with Mr. Guan under which we rent two restaurant premises from Mr. Guan, and which do not constitute continuing connected transactions upon Listing under Chapter 14A of the Listing Rules, our Directors do not expect that any other significant transactions will be entered into between our Group and our Controlling Shareholders upon or shortly after the Listing.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to operate independently.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system, accounting and finance department and we make financial decisions according to our own business needs. In addition, our Group does not rely on our Controlling Shareholders and/or their close associates by virtue of their provision of financial assistance.

We received financial assistance from Mr. Guan and/or his close associates by way of guarantees and/or pledge of properties owned by Mr. Guan. Loans guaranteed by Mr. Guan and his close associates amounted to approximately RMB52,000,000 as of June 30, 2019. Our Directors confirm that all non-trade amounts due to or from, and loans or guarantees provided by our Controlling Shareholders and their respective close associates, will be fully repaid or released before or upon the Listing. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in our Shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and abstain himself/herself from voting and not be counted towards the quorum on the resolution in which such Director or his/her close associates have a material interest;
- (c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience, and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our Shareholders. Details of our independent non-executive Directors are set out in "Directors and Senior Management — Directors — Independent Non-executive Directors";
- (d) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other hand, our Controlling Shareholders and/or our Directors shall provide the independent non-executive Directors with all necessary information, and our Company shall disclose the decisions of the independent non-executive Directors either through our annual report or by way of announcements; and
- (e) we have appointed Central China International Capital Limited as our compliance advisor, which 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.

CONNECTED TRANSACTIONS

Upon Listing, we will continue to carry out certain transactions with certain connected persons (as defined under Chapter 14A of the Listing Rules). Such transactions will therefore constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The following persons will, among others, be our connected persons upon Listing:

- Mr. Guan, an executive Director and a substantial Shareholder, hence our connected person; and
- Guangzhou Tianhe District Zhujiang Jiumaojiu Shanxi Noodles Restaurant (廣州市天河珠江城玖毛玖山西老麵館) (“**Machang Restaurant**”), an individual business entity established in the PRC which is owned by Mr. Guan, and hence our connected person.

Accordingly, the following transactions, which will continue after the Listing, will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into the following agreements and transactions which will, upon Listing, constitute continuing connected transactions which are exempt from the independent shareholders’ approval requirement, but subject to the reporting, annual review and announcement requirements under Rule 14A.76(2) of the Listing Rules.

Cooperation Agreement among Mr. Guan, Guangzhou Jiumaojiu and Machang Restaurant

Parties: Mr. Guan, Guangzhou Jiumaojiu and Machang Restaurant

Principal terms: We entered into a cooperation agreement with Machang Restaurant on March 31, 2014, which was subsequently replaced by a new cooperation agreement dated December 9, 2019 (the “**Cooperation Agreement**”), pursuant to which, (i) Guangzhou Jiumaojiu shall be responsible for the operation of Machang Restaurant; (ii) management fees (deductible from the operation fees as set out in (iii) below) determined with reference to the total management expenses of all restaurants of our Group and the revenue of Machang Restaurant as a percentage of our total revenue shall be paid to Guangzhou Jiumaojiu by Machang Restaurant; (iii) all profits before taxes of Machang Restaurant during the cooperation period shall be paid to Guangzhou Jiumaojiu as operation fees; and (iv) all losses before taxes (as the case may be) of Machang Restaurant during the cooperation period shall be compensated by Guangzhou Jiumaojiu.

The Cooperation Agreement will become effective on the Listing Date and will expire on December 31, 2021. It will be automatically renewed subject to compliance with applicable Listing Rules unless the parties terminate the agreement upon expiry.

CONNECTED TRANSACTIONS

Reasons for the transaction: Machang Restaurant is owned by Mr. Guan and has not been transferred to our Group as Guangzhou Municipal Government does not allow any change of ownership in the land users or occupiers on the land where Machang Restaurant is located due to land-use planning. To avoid any competition with our Group's business, Mr. Guan, Guangzhou Jiumaojiu and Machang Restaurant entered into the Cooperation Agreement.

Historical figures: The historical figures of the amount of management and operation fees paid by Machang Restaurant to our Group are set out below:

	Historical Transaction Amount for the			
	Year Ended December 31,			Six Months Ended June 30,
	2016	2017	2018	2019
	(RMB)			
Management and Operation Fees . .	1,645,473	3,773,531	5,245,870	2,619,670

Annual caps: Our Directors expect that the amount of management and operation fees payable by Machang Restaurant will not exceed RMB6,300,000, RMB6,800,000 and RMB7,500,000 for the years ending December 31, 2019, 2020 and 2021, respectively.

Basis of caps: In determining the above annual caps, our Directors have made reference to (i) historical management and operation fees for the Track Record Period, and (ii) the potential growth in its revenue.

Framework Purchase Agreement with Machang Restaurant

Parties: Our Company (on behalf of itself and all its subsidiaries), Mr. Guan and Machang Restaurant

Principal terms: We entered into a framework purchase agreement with Machang Restaurant on December 9, 2019, pursuant to which Machang Restaurant purchases food ingredients and semi-processed food from us.

The term of the framework purchase agreement shall commence on the Listing Date and end on December 31, 2021, and the agreement will be automatically renewed for three years subject to compliance with applicable Listing Rules unless the parties terminate the agreement upon expiry.

CONNECTED TRANSACTIONS

Pricing policy: Under the framework purchase agreement, the sale price of our food ingredients and semi-processed food shall be determined on a cost basis, including but not limited to costs of food ingredients, food processing, transportation and storage. In addition, the sale price to be paid by Machang Restaurant shall not be lower than the price we charge other subsidiaries within our Group, which also purchase food ingredients and semi-processed food from our central kitchens. For each purchase agreement to be entered into under the framework purchase agreement, the actual costs will be accounted on a monthly basis and regularly reviewed by our independent non-executive Directors to ensure that the pricing policy has been strictly followed.

Reasons for the transaction: Supply of food ingredients and semi-processed food from our central kitchen to Machang Restaurant helps (i) ensure the consistency of quality, appearance, smell, taste and shape of dishes to be served at each Jiu Mao Jiu restaurant; and (ii) lower the procurement costs of Machang Restaurant by taking advantage of the economies of scale of bulk procurement by our Group, which in turn increases the operation fees payable to our Group which is equivalent to Machang Restaurant's profit before tax.

Historical figures: The historical figures of the sales proceeds from Machang Restaurant are set out below:

	Historical Transaction Amount for the			
	Year Ended December 31,			Six Months Ended June 30,
	2016	2017	2018	2019
	(RMB)			
Sales proceeds	3,331,195	6,485,439	7,575,709	3,496,624

Annual caps: Our Directors expect that the sales proceeds from Machang Restaurant will not exceed RMB8,700,000, RMB8,900,000 and RMB9,200,000 for the years ending December 31, 2019, 2020 and 2021, respectively.

Basis of caps: In determining the above annual caps, our Directors have considered (i) the potential revenue growth of Machang Restaurant, (ii) relevant costs, including but not limited to costs of food ingredients, food processing, transportation and storage, (iii) inflation, and (iv) the historical level of costs of food ingredients and semi-processed food as a percentage of total revenue of Machang Restaurant.

CONNECTED TRANSACTIONS

APPLICATION FOR WAIVER

In respect of the transactions described in “— Non-exempt Continuing Connected Transactions” above, as one or more relevant percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules are, on an annual basis, expected to be more than 0.1%, but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions are exempt from the circular and independent shareholders’ approval requirement but subject to the annual reporting and announcement requirements as set out in Rules 14A.49 and 14A.35 of the Listing Rules and the annual review requirements as set out in Rules 14A.55 to 14A.59 and 14A.71(6) of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirements relating to continuing connected transactions under Rule 14A.35 of the Listing Rules in respect of the transactions described in “— Non-exempt Continuing Connected Transactions” above.

We will, however, comply at all times with the applicable provisions under Rules 14A.34, 14A.49, 14A.51 to 14A.59 and 14A.71 of the Listing Rules in respect of the non-exempt continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this prospectus on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements.

DIRECTORS’ VIEW

The Directors (including the independent non-executive Directors) are of the view that the proposed annual caps set out above for the continuing connected transactions described in “— Non-exempt Continuing Connected Transactions” above are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

The Directors (including the independent non-executive Directors) are also of the view that the above continuing connected transactions have been entered into in the ordinary and usual course of business of the Group on normal commercial terms, and that the terms of these continuing connected transactions are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

THE SOLE SPONSOR’S VIEW

Based on the due diligence performed by the Sole Sponsor, including review of the documents and information provided by our Company, including but not limited to, the Cooperation Agreement, the Framework Purchase Agreement and the basis of calculating the annual caps and discussions with our senior management, the Sole Sponsor is of the view that (i) the continuing connected transactions described in “— Non-exempt Continuing Connected Transactions” above, have been entered into in the ordinary and usual course of business of our Company, are on normal commercial terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and (ii) the proposed annual caps set for such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The following table sets forth certain information regarding our Directors:

Name	Age	Position(s)	Date of Joining the Group	Date of Appointment as Director	Roles and Responsibilities	Relationship with Other Directors or Senior Management Members
Mr. Guan Yihong (管毅宏)	50	Chairman of the Board, Chief Executive Officer and Executive Director	August 30, 2005	February 1, 2019	Formulating the overall development strategies and business plans of our Company and overseeing the management and strategic development of our Company	None
Mr. Li Zhuoguang (李灼光)	37	Executive Director, Chief Financial Officer and joint company secretary	January 4, 2013	February 1, 2019	Overseeing the finance, strategic investments and investors' relationship of our Company	None
Ms. Cui Longyu (崔弄宇)	45	Executive Director	December 29, 2014	May 22, 2019	Overseeing the human resource management and business operations of our Company	None
Mr. Zou Dinghang (鄒定航)	34	Non-executive Director	August 9, 2019	August 9, 2019	Providing advice and making recommendation to our Board	None
Mr. Deng Tao (鄧濤)	39	Independent Non-executive Director	October 1, 2015 (Left on May 30, 2019 and rejoined on August 12, 2019) ⁽¹⁾	August 12, 2019	Providing independent advice and judgment to our Board	None
Mr. Zhong Weibin (鐘偉斌)	46	Independent Non-executive Director	March 1, 2016 (Left on May 30, 2019 and rejoined on August 12, 2019) ⁽²⁾	August 12, 2019	Providing independent advice and judgment to our Board	None
Mr. Ivan Xu	45	Independent Non-executive Director	August 12, 2019	August 12, 2019	Providing independent advice and judgment to our Board	None

Notes:

1. Mr. Deng Tao was an independent director of our Company's subsidiary, Guangzhou Jiumaojiu from October 1, 2015 to May 30, 2019.
2. Mr. Zhong Weibin was an independent director of our Company's subsidiary, Guangzhou Jiumaojiu from March 1, 2016 to May 30, 2019.

DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Our senior management team, in addition to the executive Directors listed above, comprises the following:

Name	Age	Position(s)	Date of Joining the Group	Date of Appointment of the Current Role	Roles and Responsibilities	Relationship with Other Directors or Senior Management Members
Mr. Fu Danwei (付丹偉)	46	Director of information technology	September 11, 2017	September 11, 2017	Overseeing the information technology matters	None
Mr. Huang Bobo (黃伯波)	55	Director of engineering	September 1, 2015	September 1, 2015	Overall supervision of restaurant decoration and renovation	None
Mr. Hu Zhonghua (胡中華)	40	Director of development	September 20, 2008	January 1, 2014	Overall supervision of restaurant expansion and development	None

DIRECTORS

The Board currently consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The functions and duties of the Board include convening general meetings, implementing the resolutions passed at general meetings, determining business and investment plans, formulating our annual financial budget and financial accounts, and formulating our proposals for profit distributions as well as exercising other powers, functions and duties as conferred by the Articles of Association.

Executive Directors

Mr. Guan Yihong (管毅宏), aged 50, is an executive Director, the Chairman of the Board, and Chief Executive Officer of our Group. He is also our Controlling Shareholder. He is responsible for formulating the overall development strategies and business plans of our Company and overseeing the management and strategic development of our Company. Mr. Guan started his first noodle restaurant in Haikou, Hainan Province in 1995 and found our Group in 2005. Mr. Guan has over 23 years of experience in the catering industry. He has been the chief executive officer of our Company's subsidiary, Guangzhou Jiumaojiu since August, 2005. He also served as chairman of the board of Guangzhou Jiumaojiu from August 2005 to May 2019 and has been the executive director of Guangzhou Jiumaojiu since May 2019. Mr. Guan received his bachelor's degree in business management from Tianjin Institute of Textile Science and Technology (天津紡織工學院) (now known as Tianjin Polytechnic University (天津工業大學)) in 1990.

Mr. Li Zhuoguang (李灼光), aged 37, was appointed as the Chief Financial Officer of our Group and Director on February 1, 2019, and was redesignated as an executive Director on December 6, 2019. He has also been appointed as our joint company secretary with effect from the Listing and is responsible for overseeing finance, strategic investments and investors' relationship of our Company. As of the Latest Practicable Date, Mr. Li held 1.7% of the total issued share capital in MT BVI, which held approximately 9.1% of the total issued share capital in our Company. Since January 4, 2013, he has been the chief financial officer

DIRECTORS AND SENIOR MANAGEMENT

of Guangzhou Jiumaojiu, and served as a director and the board secretary of Guangzhou Jiumaojiu from October 2015 to May 2019. He worked in Tianji Real Estate Development (Shenzhen) Co., Ltd. (天基房地產開發(深圳)有限公司), a real property development company as vice financial controller from April to December 2012 and KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合伙)) as manager from June 2005 to April 2012. He is a member of the Chinese Institute of Certified Public Accountants. Mr. Li graduated from Sun Yat-sen University (中山大學) in July 2005 with a bachelor's degree in English.

Ms. Cui Longyu (崔弄宇), aged 45, was appointed as our Director on May 22, 2019, and was redesignated as an executive Director on December 6, 2019. She is responsible for overseeing the human resource management and business operations of our Company. As of the Latest Practicable Date, Ms. Cui held 1.7% of the total issued share capital in MT BVI, which held approximately 9.1% of the total issued share capital in our Company. She has been the director of human resources of Guangzhou Jiumaojiu since joining the company in December 2014 and served as a director of Guangzhou Jiumaojiu from November 2018 to May 2019. Before that, she worked as the senior brand manager in McDonald (China) Co., Ltd. (麥當勞(中國)有限公司), an international fast food franchise, from 2013 to 2014 and the operation manager in Guangdong San Yuan McDonald Food Co., Ltd. (廣東三元麥當勞食品有限公司), a McDonald's franchised business, from 1997 to 2012. Ms. Cui obtained a higher diploma in secretary and public relations from Guangzhou University (廣州大學) in 1996.

Non-executive Director

Mr. Zou Dinghang (鄒定航), aged 34, was appointed as our Director on August 9, 2019, and was redesignated as a non-executive Director on December 6, 2019. Mr. Zou has extensive experience in investments in consumer goods and services and has unique understanding of brand construction and operation. At the same time, he is experienced in debt financing. He is responsible for providing advice and making recommendation to our Board. From April 2018 to July 2019, Mr. Zou was an investment manager of Guangzhou You Rong Equity Investment Management Co., Ltd. (廣州由榕股權投資管理有限公司). From May 2016 to March 2018, he was an investment manager in an investment company, Zhuhai Hexie Boshi Capital Management Co., Ltd. (珠海和諧博時資本管理有限公司) ("Zhuhai Hexie"). Mr. Zou subsequently rejoined Zhuhai Hexie in August 2019 and has been served as investment manager since then. He worked in China Merchants Bank (a company listed on the Shanghai Stock Exchange, stock code: 600036, and the Stock Exchange, stock code: 3968) at its Guangzhou Branch, Huangpu Avenue Division from June 2009 to May 2016. Mr. Zou obtained his bachelor's degree in tourism management from Chongqing Normal University (重慶師範大學) in 2009.

Independent Non-executive Directors

Mr. Deng Tao (鄧濤), aged 39, was appointed as an independent non-executive Director on August 12, 2019. He is responsible for providing independent advice and judgment to our Board. He was an independent director of Guangzhou Jiumaojiu from October 1, 2015 to May 30, 2019. Since August 2017, he served as chief financial officer, and has later been the vice president and board secretary of Guangzhou Holike Creative Home Co., Ltd. (廣州好萊客創意家居股份有限公司), a furniture customization company listed on the Shanghai Stock Exchange (stock code: 603898). He has acquired rich industry experience and obtained a number of industry awards, including Sina Finance 3rd Board Secretary Gold Award (新浪財經第三屆金牌董秘), Guangdong Listed Companies Quanjing Annual Investor Relations Gold Award (廣東轄區上市公司“年度全景投資者關係金獎”), New Fortune 15th Golden Board

DIRECTORS AND SENIOR MANAGEMENT

Secretary Award (新財富第十五屆金牌董秘), 12th Chinese Listed Companies Information Disclosure Outstanding Board Secretary Award (第十二屆中國上市公司信息披露傑出董秘), Chinese Listed Company The Most Valued Board Secretary Award (中國上市公司價值評選優秀董秘), Sina Finance 4th Golden Board Secretary Award (新浪財經第四屆金牌董秘), 2017 Jinniu Investor Relations Management Award (2017年度金牛投資者關係管理獎). He worked at KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)) from August 2006 to August 2013, where he served in various positions, including manager. From August 2013 to June 2015, Mr. Deng worked as the deputy director of accounting at Zhuhai Zhongfu Enterprise Co., Ltd. (珠海中富實業股份有限公司), which is engaged in the plastic manufacturing business and listed on the Shenzhen Stock Exchange (stock code: 000659). He is a member of the Chinese Institute of Certified Public Accountants. Mr. Deng graduated from South China University of Technology (華南理工大學) in 2003, with a bachelor's degree in materials science and engineering, then a master's degree in physics from Sun Yat-sen University (中山大學) in June 2006.

Mr. Zhong Weibin (鐘偉斌), aged 46, was appointed as an independent non-executive Director on August 12, 2019. He is responsible for providing independent advice and judgment to our Board. He was an independent director of Guangzhou Jiumaojiu from March 1, 2016 to May 30, 2019. He has been a director of Guangdong Jintou Dingshi Asset Management Co., Ltd. (廣東金投鼎世資產管理有限公司) which provides asset and investment management services since August 2011. From December 2002 to April 2011, he worked at Guangdong Guoxun Telecommunication Co., Ltd. (廣東國訊電信連鎖經營有限公司), a company in the retail and wholesale business of electronic products and telecommunication equipment. He worked at China Telecommunication Company Guangzhou Branch (中國網絡通訊集團公司廣州市分公司) from December 2001 to November 2002. He obtained the assistant economist (助理經濟師) qualification in August 2002 and served as a standing committee member of the 4th Finance Professional Committee of Guangdong's Association For Promotion of Cooperation between Guangdong, Hong Kong & Macao (廣東省粵港澳合作促進會金融專業委員會).

Mr. Zhong obtained a specialist diploma in trade economics from Guangzhou University (廣州大學) in 1997 and a bachelor's degree in business administration in Wuhan University of Technology (武漢理工大學) in 2005, then Executive Master of Business Administration (EMBA) degree in South China University of Technology (華南理工大學) in 2009 and a doctoral degree of business administration (DBA) in University of Management and Technology (美國管理技術大學) through distance learning.

Mr. Ivan Xu, aged 45, was appointed as an independent non-executive Director on August 12, 2019. He is primarily responsible for providing independent advice and judgment to our Board. He has served as vice general manager and a director of Trendy Group (赫基集團), a fashion clothing company since 1999. He has also served as a director of 9F Inc., (a company listed on NASDAQ, ticker symbol: JFU), which operates a digital financial account platform integrating and personalizing financial services in China, since April 2015. Mr. Xu has over 20 years of experience in corporate management. From April 2015 to November 2016, Mr. Xu attended the Executive Education Program jointly offered by Cheung Kong Graduate School of Business, London Business School, Stanford University, Graduate School of International Corporate Strategy, Tel Aviv University and TMB Business School, and obtained an Executive Education Program Certificate.

DIRECTORS AND SENIOR MANAGEMENT

Disclosure Required under Rule 13.51(2) of the Listing Rules

Mr. Guan, our executive Director, the Chairman of the Board and Chief Executive Officer, was a director of the following company which was established in the PRC prior to its dissolution:

<u>Name of the relevant company</u>	<u>Principal business activity</u>	<u>Means of dissolution</u>	<u>Reason for dissolution</u>	<u>Date of dissolution</u>
Hainan Jiumiaojiu Restaurant Co. Ltd. Guangzhou Branch 海南九毛九餐飲有限公司廣州分公司	Restaurant operator	Deregistration	Group restructuring	April 16, 2014

Mr. Guan confirmed that, to the best of his knowledge, (i) the dissolved company above was solvent immediately prior to its dissolution and had no outstanding claim or liabilities; (ii) he has not received any notification in respect of penalty, acting or proceeding from the PRC authorities as a result of the dissolution; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution.

Mr. Zhong Weibin, our independent non-executive Director, was a director of the following companies which were dissolved or their business licences have been revoked:

<u>Name of the relevant company</u>	<u>Place of incorporation</u>	<u>Principal business activity</u>	<u>Status</u>	<u>Reason for dissolution/ revocation</u>	<u>Date of dissolution/ revocation</u>	<u>Mr. Zhong's position</u>
China Prosper International Hong Kong Holding Limited 中盛國際香港控股有限公司	Hong Kong	Investment holding company	Dissolved	Not in operation	August 18, 2017	Director
Kwok Shun Communication (HK) Investment Limited 國訊通信(香港)投資有限公司	Hong Kong	Investment holding company	Dissolved	Winding up by Court	June 4, 2009	Director
Texcorp International Limited 德斯堡國際有限公司	Hong Kong	Investment holding company	Dissolved	Winding up by Court	April 20, 2009	Director
Guangdong Guoxun Telecommunication Co., Ltd.* 廣東國迅電信股份有限公司	PRC	Construction and maintenance of computer network sites	Revocation	Overdue annual inspection	June 26, 2017	Director
Supervisor Beijing Baoying Yintong Industrial Investment Co., Ltd.* 北京寶盈銀通創業投資有限公司	PRC	Project investment and asset management	Revocation	Overdue annual inspection	December 16, 2013	Director
Guangdong Chuangfu Guarantee Co., Ltd. 廣東創富融資擔保有限公司	PRC	Provision of financing guarantees for enterprises and individuals	Revocation	Overdue annual inspection	June 26, 2017	Director
Guangdong Minli Investment Management Co., Ltd.* 廣東民利投資管理有限公司	PRC	Project investment and business management consulting	Revocation	Overdue annual inspection	June 26, 2017	Director

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhong confirmed that, to the best of his knowledge, (i) save for Kwok Shun Communication (HK) Investment Limited and Texcorp International Limited, the above companies were solvent immediately prior to their dissolution or the revocation of their business licences and had no outstanding claim or liabilities, and in relation to Kwok Shun Communication (HK) Investment Limited and Texcorp International Limited, Mr. Zhong confirmed that all the proceedings relating to each compulsory winding-up were concluded with an order made by the court for dissolution of the company; (ii) he has not received any notification in respect of penalty, acting or proceeding from the PRC authorities as a result of the dissolution or revocation; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution or revocation.

Mr. Ivan Xu, our independent non-executive Director, was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

<u>Name of the relevant company</u>	<u>Principal business activity</u>	<u>Means of dissolution</u>	<u>Reason for dissolution</u>	<u>Date of dissolution</u>
Five Plus International (HK) Limited . . .	Sales of fashion clothing	Deregistration (Note)	Reorganization of its group's business	June 30, 2017
Trd International (HK)	Sales of fashion clothing	Deregistration (Note)	Reorganization of its group's business	July 7, 2017

Note:

Under section 750 of the Companies Ordinance, an application for deregistration can only be made if, among others (a) all the members of the company agreed to such deregistration; (b) the company has not commenced operation or business, or has not been in operation or carried on business during the 3 months immediately before the application; (c) the company has no outstanding liabilities; and (d) the company is not a party to any legal proceedings.

Mr. Xu confirmed that, to the best of his knowledge, (i) each of the dissolved companies above was solvent immediately prior to its dissolution and had no outstanding claim or liabilities; (ii) there is no wrongful act on his part leading to the above dissolution; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution.

Save as disclosed above, none of our Directors holds or has held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus. See "Statutory and General Information" in Appendix IV for further information about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO). Save as disclosed herein, there is no other matter in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there is no other material matter relating to our Directors that need to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our executive Directors and senior management are responsible for the day-to-day management and operation of our business. Information concerning our executive Directors is shown in “— Directors” above.

Mr. Fu Danwei (付丹偉), aged 46, joined our Group as the director of information technology of Guangzhou Jiumaojiu on September 11, 2017 and is primarily responsible for overseeing the information technology matters of our Company. Prior to joining our Group, he accumulated extensive working experience in the information technology sector. He worked as the chief technology officer in Shenzhen Holpe Commercial Chain Co., Ltd. (深圳市恆波商業連鎖股份有限公司), which provides sales and repair services of telecommunication and digital products, from August 2015 to September 2017. From June 2013 to August 2014, he worked at McDonald (China) Co., Ltd (麥當勞(中國)有限公司) as the information technology manager. From November 2011 to December 2012, he worked as a senior manager at Huawei Technologies Co., Ltd (華為技術有限公司). Mr. Fu graduated from Hubei Institute of Technology (湖北工學院)(the predecessor of Hubei University of Technology (湖北工業大學)) in 1995 with a bachelor’s degree in electrical engineering. He then obtained a master’s degree in law in South-Central University for Nationalities (中南民族大學) in 2002.

Mr. Huang Bobo (黃伯波), aged 55, joined our Group as the director of engineering of Guangzhou Jiumaojiu on September 1, 2015 and is primarily responsible for overseeing the decoration and renovation process of our restaurants. As of the Latest Practicable Date, Mr. Huang held 1.7% of the total issued share capital in MT BVI, which held approximately 9.1% of the total issued share capital in our Company. Prior to joining our Group, he worked in Guangzhou Yuexiu Real Estate Engineering Management Co., Ltd (廣州越秀地產工程管理有限公司) from July 1987 to December 1999 and his last position was project director, then senior manager in Guangdong Sanyuan McDonald’s Food Co., Ltd. (廣東三元麥當勞食品有限公司), a McDonald’s franchised business, from December 2003 to July 2015. Mr. Huang graduated from Guangzhou University (廣州大學) in 1987 with a higher diploma in industrial and civil engineering.

Mr. Hu Zhonghua (胡中華), aged 40, joined our Group on September 20, 2008 and has been the director of development of Guangzhou Jiumaojiu since January 1, 2014 and is primarily responsible for overseeing the restaurant expansion and development. As of the Latest Practicable Date, Mr. Hu held 2.9% of the total issued share capital in MT BVI, which held approximately 9.1% of the total issued share capital in our Company. Mr. Hu graduated from Hunan Construction Materials College (湖南建材高等專科學校), now known as Hunan Institute of Technology (湖南工學院), in 2003.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARY

Mr. Li Zhuoguang (李灼光) has been appointed as one of our joint company secretaries with effect from the Listing. See “— Directors” above for his information.

Mr. Matthew Mo Kan Tsui (崔慕勤), aged 37, has been appointed as one of our joint company secretaries with effect from the Listing. He is a member of the CPA Australia and Hong Kong Institute of Certified Public Accountants. He has assisted in numerous IPO projects and has deep knowledge of the listing procedures and regulatory requirements of listed companies, including internal controls, accounting and financial disclosure. Mr. Tsui has been a corporate consultant of Richdale Consultants Limited, a consultancy company that provides corporate advisory services to both private and listed company clients, including financial reporting matters, compliance with various rules and regulations, fund raising and corporate development planning, from October 2018. He was the company secretary and financial controller of Poly Property Management Group (Hong Kong) Limited (保利物業管理集團(香港)有限公司), a company providing property management services in the PRC, from September 2017 to September 2018. He worked as assistant financial controller at Ocean Empire International Co., Ltd. (海皇國際有限公司), which operates chain restaurants of traditional Cantonese congee in Hong Kong and Macau, from September 2016 to September 2017 and the chief listing officer of Linglun Daycrown Case & Bag Industries (Shenzhen) Co., Ltd. (伶倫提可樂箱包實業(深圳)有限公司), a company primarily engaged in sales of various luggage, and other products from September 2014 to June 2016, primarily responsible for group restructuring as well as furtherance the improvements in financial reporting framework. Mr. Tsui worked from May 2007 to August 2014 in KPMG and his last position was manager. Before that he worked as an accountant in Hertzberg Yong & Co., Chartered Accountants in Australia from August 2003 to November 2006. He obtained a bachelor's degree in commerce in Macquarie University in Australia in 2003.

BOARD COMMITTEES

Audit Committee

Our Company established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of two independent non-executive Directors, namely Mr. Deng Tao and Mr. Zhong Weibin and one non-executive Director, being Mr. Zou Dinghang. Mr. Deng Tao has been appointed as the chairman of the Audit Committee and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process, review and oversee the existing and potential risks of our Group and perform other duties and responsibilities as assigned by our Board.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

Our Company established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of two independent non-executive Directors, namely Mr. Zhong Weibin and Mr. Deng Tao and one executive Director, being Mr. Li Zhuoguang. Mr. Zhong Weibin, our independent non-executive Director, has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

Our Company established a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of two independent non-executive Directors, being Mr. Zhong Weibin and Mr. Deng Tao and one executive Director, being Mr. Guan, who is the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

Risk Management Committee

Our Company established a Risk Management Committee which consists of three independent non-executive Directors, being Mr. Deng Tao, who is the chairman of the Risk Management Committee, Mr. Zhong Weibin and Mr. Ivan Xu. The primary duties of the Risk Management Committee are to carry on its independent and regular review of the effectiveness of our Group's procurement system and provide advice if necessary, which is also in furtherance of the review of the internal control system by the Audit Committee.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, our Board has adopted a diversity policy which sets forth the objective and the approach to achieve and maintain an appropriate balance of diversity of perspectives of our Board. Pursuant to the diversity policy of our Board, the selection of Directors will be based on a number of factors, including but not limited to, gender, skills, age, professional experience, knowledge, cultural and educational background, and length of service. The final decision of the appointment will be based on the merit and contribution that a selected candidate may bring to our Board.

DIRECTORS AND SENIOR MANAGEMENT

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Mr. Guan is our Chairman of the Board and Chief Executive Officer. Since the founding of our Group in 2005, Mr. Guan has been responsible for formulating our overall business development strategies and leading our overall operations, and therefore has been instrumental to our growth and business expansion. Mr. Guan's vision and leadership have played a pivotal role in our Group's success and achievements to date, and therefore our Board considers that vesting the roles of Chairman and Chief Executive Officer in the same person is beneficial to the management of our Group. Our long-serving and outstanding senior management team and our Board, which comprise experienced and high-caliber individuals, provides a check on the balance of power and authority. Our Board comprises three executive Directors (including Mr. Guan), a non-executive Director and three independent non-executive Directors, and therefore has a fairly strong independence element in its composition.

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

WAIVER GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see "Waivers from Compliance with the Listing Rules — Waiver in Relation to Management Presence in Hong Kong."

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of fees, salaries, contributions to retirement schemes, discretionary bonuses, allowances and other benefits in kind. The aggregate amount of emoluments our Directors have received (including fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind) for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 was approximately RMB1.8 million, RMB2.2 million, RMB2.5 million and RMB1.3 million, respectively.

The aggregate amount of fees, salaries, contributions to retirement schemes, discretionary bonuses, allowances and other benefits in kind paid to our five highest paid individuals of our Company, including Directors, during the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 was approximately RMB4.8 million, RMB4.9 million, RMB5.2 million and RMB4.2 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses, payable to our Directors for the year ending December 31, 2019 is estimated to be approximately RMB8.4 million. No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019. Further, none of our Directors had waived any remuneration during the same period. Save as disclosed above, no other payments have been made or are payable in respect of the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 by the Company to the Directors.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Company.

COMPLIANCE ADVISOR

We have appointed Central China International Capital Limited as our compliance advisor (the “**Compliance Advisor**”) upon listing of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will provide advice to us when consulted by us in the following circumstances:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date, and this appointment may be subject to extension by mutual agreement.

SHARE OPTION SCHEME

In order to incentivize Directors, senior management and employees for their contribution to our Company and to attract, motivate and retain skilled and experienced personnel, we have adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in “Statutory and General Information — D. Share Option Scheme” in Appendix IV.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme, the following persons will have an interest or a short position in Shares or underlying shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 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 share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

<u>Name of shareholder</u>	<u>Nature of interest</u>	<u>Shares held as of the Latest Practicable Date</u>		<u>Immediately after the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of options under the Share Option Scheme)</u>	
		<u>Number of Shares</u>	<u>Approximate percentage of interest in our Company</u>	<u>Number of Shares</u>	<u>Approximate percentage of interest in our Company</u>
Mr. Guan ^(Note 1)	Interest in controlled corporation	61.4445	61.4445%	614,445,000	46.08%
Ms. Yang Sanyin ^(Note 2)	Interest of Spouse	61.4445	61.4445%	614,445,000	46.08%
GYH BVI	Beneficial owner	61.4445	61.4445%	614,445,000	46.08%
Yang Fei ^(Note 3)	Interest in controlled corporation	15	15.00%	150,000,000	11.25%
Lin Dongliang ^(Note 3)	Interest in controlled corporation	15	15.00%	150,000,000	11.25%
He Xie Ai Qi ^(Note 3)	Interest in controlled corporation	15	15.00%	150,000,000	11.25%
Beijing He Xie Ai Qi ^(Note 3)	Interest in controlled corporation	15	15.00%	150,000,000	11.25%
Beijing He Xie Tian Cheng ^(Note 3)	Interest in controlled corporation	15	15.00%	150,000,000	11.25%
Shanghai Ling Yu ^(Note 3)	Interest in controlled corporation	15	15.00%	150,000,000	11.25%
Eskdale BVI	Beneficial owner	15	15.00%	150,000,000	11.25%
MX BVI	Beneficial owner	9.137	9.137%	91,370,000	6.85%
MT BVI	Beneficial owner	9.1185	9.1185%	91,185,000	6.84%

SUBSTANTIAL SHAREHOLDERS

Notes:

1. GYH BVI is wholly-owned by Mr. Guan. Therefore, Mr. Guan is deemed under the SFO to be interested in these 614,445,000 Shares held by GYH BVI upon the Listing.
2. Ms. Yang Sanyin, the spouse of Mr. Guan, is deemed under the SFO to be interested in these 614,445,000 Shares in which Mr. Guan is deemed to be interested upon the Listing.
3. Eskdale BVI is wholly-owned by Shanghai Ling Yu. Beijing He Xie Tian Cheng Investment Management Center (Limited Partnership) (北京和諧天成投資管理中心(有限合夥)) (“**Beijing He Xie Tian Cheng**”) is the general partner of Shanghai Ling Yu. Beijing He Xie Tian Cheng is owned as to 90% by Beijing He Xie Ai Qi Investment Center (Limited Partnership) (北京和諧愛奇投資中心(有限合夥)) (“**Beijing He Xie Ai Qi**”). He Xie Ai Qi Investment Management (Beijing) Co., Ltd. (和諧愛奇投資管理(北京)有限公司) (“**He Xie Ai Qi**”) is the general partner of Beijing He Xie Ai Qi. He Xie Ai Qi is owned as to 43.75% by Lin Dongliang and 43.75% by Yang Fei. Therefore, Shanghai Ling Yu, Beijing He Xie Tian Cheng, Beijing He Xie Ai Qi, He Xie Ai Qi, Lin Dongliang and Yang Fei are deemed under the SFO to be interested in these 150,000,000 Shares held by Eskdale BVI upon the Listing.

Save as disclosed above and in “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interests” in Appendix IV, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and without taking into account any Shares may be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme, have an interest or a short position in the Shares or underlying shares of our Company, which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 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 share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized share capital of our Company as of the Latest Practicable Date and immediately following the completion of the Global Offering:

Authorized share capital

	<u>Shares</u>	<u>Total nominal value</u> <u>US\$</u>
As of the Latest Practicable Date	49,982.70 ordinary shares of US\$1.00 par value each	49,982.70
	17.30 Series A Preferred Shares of US\$1.00 par value each	17.30
Immediately following the completion of the Global Offering	500,000,000,000 ordinary Shares of US\$0.0000001 par value each	<u>50,000</u>

The following is a description of the issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Global Offering:

Issued share capital

<u>Shares</u>	<u>Description of Shares</u>	<u>Nominal value</u> <u>US\$</u>	<u>Total nominal value</u> <u>US\$</u>
<i>Shares in issue as of the Latest Practicable Date</i>			
82.70	Ordinary shares	1.00	82.70
17.30 ¹	Series A Preferred Shares	1.00	17.30
<i>Shares to be in issue after the share subdivision</i>			
1,000,000,000	Ordinary Shares	0.0000001	100
<i>Shares to be issued pursuant to the Global Offering</i>			
<u>333,400,000²</u>	<u>Shares</u>	<u>0.0000001</u>	<u>33.34</u>
<u>1,333,400,000</u>	Total number of Shares in issue immediately following the completion of the Global Offering	<u>0.0000001</u>	<u>133.34</u>

Notes:

- The Series A Preferred Shares will be converted into the ordinary shares of a par value of US\$1.00 each of the Company on a one to one basis immediately before Listing.
- Assuming there is no exercise of Over-allotment Option or any options which may be granted under the Share Option Scheme.

SHARE CAPITAL

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares are ordinary Shares in the share capital of our Company and rank equally with all the ordinary Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Law and the terms of our Memorandum and Articles of Association, our Company may from time to time by shareholders' ordinary resolution (i) increase its share capital; (ii) consolidate and divide its share capital into Shares of larger or smaller amount; (iii) divide its unissued Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount than that fixed by the Memorandum; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by shareholders' special resolution. For more details, please see "Summary of the Constitution of our Company and Cayman Companies Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital" in Appendix III.

Pursuant to the Cayman Companies Law and the terms of our Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, please see "Summary of the Constitution of our Company and Cayman Companies Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares" in Appendix III. Further, our Company will also hold general meetings from time to time as may be required under the Articles, a summary of which is set out in "Summary of the Constitution of our Company and Cayman Companies Law" in Appendix III.

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the conditions stated in "Structure of the Global Offering — Conditions of the Global Offering", our Directors have been granted general unconditional mandates to issue and repurchase our Shares.

For further details of these general mandates, please see "Statutory and General Information — A. Further Information About our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on December 6, 2019" in Appendix IV.

SHARE CAPITAL

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarized in “Statutory and General Information — D. Share Incentive Schemes — Share Option Scheme” in Appendix IV.

FINANCIAL INFORMATION

OVERVIEW

We are a leading Chinese cuisine restaurant brand manager and operator in China. We currently manage and operate five self-developed distinctive brands, including Jiu Mao Jiu, Tai Er, Double Eggs, Cooking Spicy Kebab and Uncle Chef. As of the Latest Practicable Date, we had 328 restaurants in our restaurant network, comprising 287 self-operated restaurants and 41 franchised restaurants. In pursuit of our philosophy of serving delicacies at affordable prices (“好吃不貴”), we are fully devoted to providing marvelous dining experience to our customers through exquisite dishes, high-quality services and unique dining ambience. Innovation has been deeply rooted in our corporate culture. Throughout our operating history of more than two decades, we have been constantly improving our recipes, services and restaurant style to cater to the prevailing market trend and customers’ preferences.

Our revenue grew rapidly during the Track Record Period. In 2016, 2017 and 2018, our total revenue amounted to RMB1,164.3 million, RMB1,469.2 million and RMB1,892.8 million, respectively, representing a CAGR of 27.5%. Our revenue increased by 41.5% from RMB874.5 million for the six months ended June 30, 2018 to RMB1,237.1 million for the six months ended June 30, 2019.

FACTORS AFFECTING OUR FINANCIAL PERFORMANCE AND RESULTS OF OPERATIONS

We believe the most significant factors that directly or indirectly affect our financial performance and results of operations include:

- Number of restaurants in operation and expansion of our restaurant network;
- Same store sales;
- Food ingredient prices;
- Staff costs;
- Depreciation of right-of-use assets and other rentals and related expenses;
- Seasonality; and
- Terms of the franchise agreements.

FINANCIAL INFORMATION

Number of Restaurants in Operation and Expansion of Our Restaurant Network

We generate revenue primarily from (i) our restaurant operations, (ii) delivery business, (iii) sales of specialities in our restaurants and (iv) others including royalty fee and other fees from our franchised restaurants and revenue from Machang Restaurant. Our revenue is largely affected by the number of restaurants in our network, including self-operated restaurants and franchised restaurants, and our future revenue growth depends on our ability to open new restaurants and expand our restaurant network. The following table sets forth the number of the restaurants in our network, by brands:

	Year ended December 31,			Six months ended June 30,	From July 1, 2019 to the Latest Practicable Date
	2016	2017	2018	2019	
Jiu Mao Jiu					
Period beginning restaurant count	138	128	139	147	149
Newly opened restaurants	3	17	16	10	1
Closed restaurants	13	6	8	8	7
Net increase/(decrease)	(10)	11	8	2	(6)
Period end restaurant count	<u>128</u>	<u>139</u>	<u>147</u>	<u>149</u>	<u>143⁽¹⁾</u>
Tai Er					
Period beginning restaurant count	4	13	28	65	91
Newly opened restaurants	9	16	37	26	30
Closed restaurants	—	1	—	—	—
Net increase	9	15	37	26	30
Period end restaurant count	<u>13</u>	<u>28</u>	<u>65</u>	<u>91</u>	<u>121⁽¹⁾</u>
Double Eggs: self-operated					
Period beginning restaurant count	—	—	8	15	20
Newly opened restaurants	—	8	8	6	2
Closed restaurants	—	—	1	1	1
Net increase	—	8	7	5	1
Period end restaurant count	<u>—</u>	<u>8</u>	<u>15</u>	<u>20</u>	<u>21</u>
Cooking Spicy Kebab					
Period beginning restaurant count	—	—	—	—	1
Newly opened restaurants	—	—	—	1	—
Closed restaurants	—	—	—	—	—
Net increase	—	—	—	1	—
Period end restaurant count	<u>—</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>1</u>
Uncle Chef					
Period beginning restaurant count	—	—	—	—	1
Newly opened restaurants	—	—	—	1	—
Closed restaurants	—	—	—	—	—
Net increase	—	—	—	1	—
Period end restaurant count	<u>—</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>1</u>
Total self-operated period end restaurant count	<u>141</u>	<u>175</u>	<u>227</u>	<u>262</u>	<u>287⁽¹⁾</u>
Double Eggs: franchised					
Period beginning restaurant count	—	—	—	14	35
Newly opened restaurants	—	—	15	24	10
Closed restaurants	—	—	1	3	4
Net increase	—	—	14	21	5
Period end restaurant count	<u>—</u>	<u>—</u>	<u>14</u>	<u>35</u>	<u>41</u>
Total period end restaurant count	<u>141</u>	<u>175</u>	<u>241</u>	<u>297</u>	<u>328⁽¹⁾</u>

Note:

- As of the Latest Practicable Date, four Jiu Mao Jiu restaurants and one Tai Er restaurant had suspended their operations since they had not been able to complete the applications for the relevant Fire Safety Inspection Approvals due to issues attributable to the owners of the relevant properties or the nature of such properties. See "Business — Fire Safety — Update on Our Fire Safety Compliance" for more details.

FINANCIAL INFORMATION

The following table sets forth information on revenue generated from restaurant operations for restaurants in operation throughout the period, restaurants newly opened and restaurants closed during the periods for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
	(unaudited)				
Revenue from restaurants in operation throughout the period	1,088,476	1,277,386	1,647,165	821,540	1,117,400
Revenue from restaurants newly opened during the period	51,697	128,659	198,860	33,777	94,091
Revenue from restaurants closed during the period ¹	19,106	52,879	32,386	13,003	12,304
<i>Subtotal</i>	1,159,280	1,458,924	1,878,412	868,320	1,223,795
Others ²	4,976	10,259	14,409	6,171	13,343
Total revenue	1,164,256	1,469,183	1,892,821	874,491	1,237,138

Notes:

1. Restaurants closed during the period include restaurants newly opened and then closed in the same period.
2. Revenue from others includes royalty fee and other fees from our franchised restaurants and revenue from Machang Restaurant.
3. Revenue from restaurant operations for restaurants in operation throughout the period, restaurants newly opened and restaurants closed includes revenue from restaurant operations, delivery business and sales of specialities allocated to each restaurant.

We currently estimate to expand our restaurant network by 152 new restaurants in 2019, including:

- 16 Jiu Mao Jiu restaurants, including eleven opened as of the Latest Practicable Date;
- 60 Tai Er restaurants, including 56 opened as of the Latest Practicable Date;
- 12 self-operated Double Eggs restaurants, including eight opened as of the Latest Practicable Date;
- 60 Double Eggs restaurants operated by our franchisees, including 34 opened as of the Latest Practicable Date;

FINANCIAL INFORMATION

- two Cooking Spicy Kebab restaurants, including one opened as of the Latest Practicable Date; and
- two Uncle Chef restaurants, including one opened as of the Latest Practicable Date.

Same Store Sales

In addition to the expansion of our restaurant network, our revenue and profitability are also affected in part by our ability to generate stable revenue from existing self-operated and franchised restaurants. Same store sales for a given period refer to the revenue of all restaurants that qualified as same stores during that period. We define our same store base to be those restaurants that opened for at least 300 days in both 2016 and 2017, and in both 2017 and 2018, and for at least 150 days both for the six months ended June 30, 2018 and 2019. For details, see “Business — Restaurant Operations — Restaurant Performance.”

Same store sales are primarily affected by the average customer traffic per restaurant per day and the average spending per customer. We are committed to further enhance our financial performance by achieving higher same store sales growth through initiatives such as offering innovative menu items and combinations, enhancing dining experience to attract repeat customers, enhancing customer loyalty, attracting more customers during non-peak hours and increasing prices of our dishes.

Food Ingredient Prices

Food ingredient prices have direct impact on our raw materials and consumables used, which in turn affect the profits we generate from selling food to our end customers in our self-operated restaurants. We take several measures to control our purchase costs. See “Business — Procurement — Purchase Cost Control” for more information.

Key raw materials and consumables we use include bass, pork, beef, chicken and vegetable. The prices of such food ingredients are subject to price volatility caused by fluctuations in aggregate supply and demand and other external conditions such as climate and environmental conditions or natural disasters. We have devoted substantial efforts to securing sufficient supply of these ingredients that meet our quality standards and at competitive prices. See “Business — Procurement — Procurement Procedure” for more information. However, despite the various initiatives we took, the prices and supply of these ingredients are nonetheless subject to several factors that are beyond our control.

In 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, our raw materials and consumables used amounted to RMB384.1 million, RMB512.5 million, RMB671.9 million, RMB295.3 million and RMB435.0 million, respectively, representing 33.0%, 34.9%, 35.5%, 33.8% and 35.2% of our revenue for the respective periods. The overall increase in raw materials and consumables used as a percentage of revenue was primarily the result of the increase in our revenue from Tai Er restaurants, as raw materials and consumables used as a percentage of revenue for Tai Er was higher compared with Jiu Mao Jiu, together with Tai Er, being our two leading brands which contributed most of our revenue during the Track Record Period.

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We plan to continue to improve our procurement cost control measures and to offer higher-margin menu items in our restaurants in order to offset the effect of food ingredient prices inflation and to maintain our profitability. As is customary in the catering services market, we typically do not adjust prices of our dishes according to temporary fluctuations in prices of our major ingredients. We have conducted sensitivity analysis of the impact on our results of operations during the Track Record Period from hypothetical fluctuations in the food ingredient prices. See “Business — Procurement — Purchase Cost Control” for more information.

Staff Costs

Our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees, including restaurant managers and staff. Our staff costs include all salaries and benefits payable to all our employees, including our Directors and management team, headquarters staff, production facilities staff, and staff of our self-operated restaurants.

In 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, our staff costs were approximately RMB327.7 million, RMB400.2 million, RMB523.5 million, RMB239.5 million and RMB320.1 million, respectively, representing approximately 28.1%, 27.2%, 27.7%, 27.4% and 25.9% of our revenue. The overall decrease in staff costs as a percentage of revenue was primarily the result of the increase in our revenue from Tai Er, as staff costs as a percentage of revenue for Tai Er was lower compared with our other brands.

Depreciation of Right-of-use Assets and Other Rentals and Related Expenses

We do not own any property. We lease all of our restaurant sites, sites for central kitchens and headquarters premises from third parties. Our leases typically have a term of five years and a rent-free period ranging from two to three months at the beginning of the lease term, with most of the leases providing for a renewal option if we could agree to the renewal terms and conditions with the lessor.

As of the Latest Practicable Date, we leased 307 properties in the PRC with an aggregate GFA of approximately 136,344 square meters, which are mainly used as restaurants sites, central kitchens and headquarters premises.

In 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, our rental expenses, which equaled to the sum of (i) depreciation of right-of-use assets and (ii) other rentals and related expenses, were approximately RMB116.0 million, RMB137.8 million, RMB184.0 million, RMB86.5 million and RMB126.1 million, respectively, representing approximately 10.0%, 9.4%, 9.7%, 9.9% and 10.2% of our revenue.

Seasonality

Our business and operating results are subject to seasonal fluctuations because of several factors including holidays, school vacations, and fluctuations in food prices. As a result, our results of operations may fluctuate significantly from period to period and comparisons of different periods may not be meaningful. Our results for a given period in a fiscal year are not necessarily indicative of results to be expected for any other period in the same fiscal year.

FINANCIAL INFORMATION

Terms of the Franchise Agreements

As of the Latest Practicable Date, we entered into 59 franchise agreements with 46 individuals, granting them rights to operate restaurants under Double Eggs for a term of three years. The terms of our franchise agreements directly affect our revenue and profits we generate through our franchised restaurants, as well as our ability to attract qualified franchisees. See “Business — Our Business Models — Franchise Model — The Franchise Agreements” for detailed terms of the franchise agreements. Going forward, as we continue our expansion, we aim to continue to optimize our franchising terms to create a mutually beneficial arrangement, so as to attract more qualified franchisees in furtherance of our expansion plan while ensuring a robust stream of revenue.

BASIS OF PRESENTATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 1, 2019 and became the holding company of the companies now comprising our Group after the Reorganization detailed in “History, Reorganization and Corporate Structure — Reorganization”. As part of the Reorganization, the Company, through its wholly owned subsidiaries, acquired the entire equity interest in Guangzhou Jiumaojiu. As Guangzhou Jiumaojiu and its subsidiaries were controlled by the Group’s ultimate controlling shareholder, Mr. Guan, before and after the Reorganization, and therefore there were no changes in the economic substance of the ownership and the business of the Group. The Reorganization only involved inserting several newly formed investment holding entities with no substantive operations as the new holding companies of Guangzhou Jiumaojiu, during the Track Record Period. The historical financial information has been prepared and presented as a continuation of the financial statements of Guangzhou Jiumaojiu with the assets and liabilities of Guangzhou Jiumaojiu recognized and measured at their historical carrying amounts prior to the Reorganization. Intra-Group balances, transactions and unrealized gains/losses on intra-Group transactions are eliminated in full in preparing the historical financial information.

The historical financial information has been prepared in accordance with IFRS which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (“IASB”). Further details of the significant accounting policies adopted are set out in note 2 to the Accountants’ Report set forth in Appendix I.

Impact of the Adoption of IFRS 9, IFRS 15 and IFRS 16

The IASB has issued a number of new and revised IFRS. For the purpose of preparing this historical financial information, the Group has adopted all applicable new and revised IFRS that are effective for the Track Record Period, including IFRS 9, *Financial Instruments*, IFRS 15, *Revenue from Contracts with Customers* and IFRS 16, *Leases* consistently throughout the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting year beginning January 1, 2019. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning January 1, 2019 are set out in note 31 to the Accountants’ Report set forth in Appendix I.

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The adoption of IFRS 9 and IFRS 15 did not have significant impact on the Group's financial position and performance throughout the Track Record Period when compared to those that would have been presented under IAS 39, *Financial Instruments: Recognition and Measurement*, and IAS 18, *Revenue*.

IFRS 16 is effective for the accounting period beginning on or after January 1, 2019 and earlier application is permitted for entities that adopt IFRS 15 on or before the date of initial application of IFRS 16. The Group has elected to adopt IFRS 16 consistently throughout the Track Record Period. The adoption of IFRS 16 primarily affects the Group's accounting as a lessee of leases for properties, plant and equipment which are classified as operating leases under IAS 17, *Leases*. Upon the adoption of IFRS 16, according to the accounting policies described in note 2(h) to the Accountants' Report set forth in Appendix I, at the lease commencement date, the Group as a lessee recognizes a right-of-use assets and a lease liabilities for all fixed-rate leases, except for short-term leases with lease term of 12 months or less and leases of low-value assets. The adoption of IFRS 16 has impact on the recognition of right-of-use assets and lease liabilities as well as the recognition of depreciation charges of right-of-use assets and the interest expense on lease liabilities.

The following tables give an indication of the impact of the adoption of IFRS 16 on the Group's financial position as of December 31, 2016, 2017 and 2018 and June 30, 2019 and its financial performance during the Track Record Period, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognized under IAS 17, if this standard had continued to apply during the Track Record Period instead of IFRS 16.

Based on our initial assessment, if IAS 17 was applied instead of IFRS 16 throughout the Track Record Period, we estimate that the key items in the Group's consolidated statements of financial position as of December 31, 2016, 2017 and 2018 and June 30, 2019 would have been affected as follows:

	As of December 31,						As of June 30,	
	2016		2017		2018		2019	
	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17
	(RMB in thousands)							
Right-of-use assets	420,141	—	456,995	—	574,236	—	655,911	—
Deferred tax assets	30,840	12,271	37,896	15,424	52,042	24,585	57,328	27,945
Total non-current assets	705,195	266,485	759,303	279,836	960,351	358,657	1,061,673	376,379
Lease liabilities (current)	103,321	—	111,698	—	143,588	—	165,794	—
Current liabilities	288,375	185,054	290,463	178,765	440,056	296,468	655,602	489,808
Net current (liabilities)/assets	(145,767)	(42,446)	(107,347)	4,351	(213,438)	(69,850)	(319,137)	(153,343)
Lease liabilities (non-current)	398,465	—	428,381	—	522,096	—	582,753	—
Total non-current liabilities	412,158	13,693	444,775	16,394	543,344	21,248	605,779	23,026
Net assets	147,270	210,346	207,181	267,793	203,569	267,559	136,757	200,010

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The key items in the Group's consolidated statements of profit or loss and other comprehensive income during the Track Record Period would have been affected as follows:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17
	(RMB in thousands)									
	(unaudited)									
Other rentals and related expenses . . .	(5,998)	(149,345)	(9,214)	(165,196)	(29,130)	(207,873)	(13,288)	(94,337)	(21,460)	(137,480)
Depreciation on right-of-use assets . .	(109,968)	—	(128,623)	—	(154,840)	—	(73,238)	—	(104,555)	—
Other net (losses)/income	(5,444)	(19,709)	(585)	(7,000)	1,208	(8,715)	879	(7,033)	(1,889)	(10,211)
Other expenses	(43,455)	(42,878)	(75,911)	(76,061)	(122,642)	(115,812)	(49,386)	(49,484)	(51,283)	(51,673)
Finance costs	(49,480)	(2,116)	(51,846)	(1,483)	(58,261)	(1,006)	(23,865)	(416)	(29,059)	(1,818)
Profit before taxation . .	75,704	76,001	99,474	115,913	104,381	134,640	75,891	83,519	138,546	145,610
Profit for the year/period	51,286	51,583	71,647	88,086	73,848	104,107	54,388	62,016	102,037	109,101

The key items in the Group's consolidated cash flow statements during the Track Record Period would have been affected as follows:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17
	(RMB in thousands)									
	(unaudited)									
Cash generated from operations	285,408	142,096	347,527	176,343	412,596	227,643	216,234	123,978	318,572	182,425
Net cash generated from operating activities	261,699	118,387	313,898	142,714	372,563	187,610	194,530	102,274	290,835	154,688
Payment of capital element and interest element of lease liabilities	(143,312)	—	(171,184)	—	(184,953)	—	(92,256)	—	(136,147)	—
Net cash used in financing activities .	(157,513)	(14,201)	(204,596)	(33,412)	(213,503)	(28,550)	(121,522)	(29,266)	(160,515)	(24,368)

The current ratio, quick ratio and gearing ratio of the Group during the Track Record Period would have been affected as follows:

	As of December 31,						As of June 30,	
	2016		2017		2018		2019	
	Value reported under IFRS 16	Hypothetical value as if under IAS 17	Value reported under IFRS 16	Hypothetical value as if under IAS 17	Value reported under IFRS 16	Hypothetical value as if under IAS 17	Value reported under IFRS 16	Hypothetical value as if under IAS 17
Current ratio	0.49	0.77	0.63	1.02	0.51	0.76	0.51	0.69
Quick ratio	0.42	0.66	0.52	0.84	0.43	0.64	0.45	0.60
Gearing ratio	<u>26.4%</u>	<u>18.5%</u>	<u>9.7%</u>	<u>7.5%</u>	<u>24.1%</u>	<u>18.4%</u>	<u>37.9%</u>	<u>25.9%</u>

However, the above hypothetical amounts or value are estimates only, neither had we prepared, nor had the reporting accountants audited or reviewed, the consolidated financial statements of our Group for the Track Record Period based on IAS 17.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Our significant accounting policies and judgements made by management in the application of IFRS that have significant effect on our financial condition and results of operations are set forth in detail in note 2 and note 3 to the Accountants' Report set forth in Appendix I. We set forth below those accounting policies and estimates that we believe involve the most significant estimates and judgments used in the preparation of our financial statements.

Revenue and Other Revenue Recognition

Details of our revenue and other revenue recognition policies are as follows:

- *Revenue from contracts with customers.* The Group principally generates revenue from restaurant operations, delivery business and sales of specialties. Revenue excludes value-added tax or other sales taxes and is after deduction of other sales taxes or any trade discounts. For restaurant operations and delivery business for which the control of services is transferred at a point in time, revenue is recognized when the related services have been rendered to customers. Revenue from the sales of specialties for which the control of goods is transferred at a point in time, is recognized when the goods are delivered and title have passed.
- *Management and service fee income.* Management and service fee income is recognized when related services are rendered.
- *Dividends.* Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.
- *Interest income.* Interest income is recognized as it accrues using the effective interest method.

Leased Assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

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At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily apartments and electronic devices. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and presents lease liabilities separately in the statement of financial position.

Recognition of Deferred Tax Assets

Deferred tax assets are recognized in respect of deductible temporary differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

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Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal. Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	<u>Estimated useful lives</u>
	Over the shorter of the
Leasehold improvement	lease term and 5 years
Kitchen equipment	5 years
Electronic equipment	5 years
Motor vehicles	5 years
Furniture and fixtures and other equipment	<u>5 years</u>

Both the useful life of an asset and its residual value, if any, are reviewed at each reporting period.

Impairment Loss

The recoverable amount of each restaurant (cash-generating unit (“CGU”)) with indication of impairment is estimated at the end of each reporting period. In performing the impairment test of each CGU, the Group used the weighted-average cost of capital (“WACC”) of CGUs as the discount rate for discounting the cash flows of the CGUs being valued.

As interpreted in IAS 36, the discount rate is based on the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those of the asset or CGU. In other words, the discount rate is based on a market participant’s view of the asset or CGU as at the current date.

To determine the discount rate, the Group built up a market participant discount rate that could appropriately reflect the risks associated with the cash flows of the CGUs being valued, using the WACC formula. As of December 31, 2016, 2017 and 2018, by using the WACC formula, the Group calculated the pre-tax discount rates of 9.98%, 9.92% and 9.89%, respectively, which did not materially differ from each other. As such, the Group considered that the application of above different discount rates in the impairment tests as of December 31, 2016, 2017 and 2018 would not have significant financial impact on the historical financial information, therefore, the Group consistently applied the discount rate of 9.98% in discounting the cash flows of the CGUs being valued during the Track Record Period.

The Directors considered the discount rate of 9.98% used in discounting the cash flows of the CGUs being valued complied with the interpretation in IAS 36 and is considered appropriate to the Group.

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DESCRIPTION OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth selected consolidated statements of profit or loss for the periods indicated. Each item has also been expressed as a percentage of our revenue.

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(In thousands, except for percentages)									
	(unaudited)									
Revenue	1,164,256	100.0	1,469,183	100.0	1,892,821	100.0	874,491	100.0	1,237,138	100.0
Other revenue	1,445	0.1	2,255	0.2	2,583	0.1	1,009	0.1	1,906	0.2
Raw materials and consumables used	(384,058)	(33.0)	(512,510)	(34.9)	(671,860)	(35.5)	(295,333)	(33.8)	(435,002)	(35.2)
Staff costs	(327,714)	(28.1)	(400,227)	(27.2)	(523,479)	(27.7)	(239,524)	(27.4)	(320,073)	(25.9)
Depreciation of right-of-use assets	(109,968)	(9.4)	(128,623)	(8.8)	(154,840)	(8.2)	(73,238)	(8.4)	(104,555)	(8.5)
Other rentals and related expenses	(5,998)	(0.5)	(9,214)	(0.6)	(29,130)	(1.5)	(13,288)	(1.5)	(21,460)	(1.7)
Depreciation and amortization of other assets	(64,773)	(5.6)	(76,208)	(5.2)	(81,345)	(4.3)	(38,717)	(4.4)	(49,239)	(4.0)
Utilities expenses	(73,385)	(6.3)	(79,657)	(5.4)	(93,776)	(5.0)	(44,414)	(5.1)	(50,456)	(4.1)
Travelling and related expenses	(7,210)	(0.6)	(10,241)	(0.7)	(14,435)	(0.8)	(4,640)	(0.5)	(5,465)	(0.4)
Listing expenses	—	—	—	—	—	—	—	—	(9,850)	(0.8)
Advertising and promotion expenses	(14,720)	(1.3)	(15,016)	(1.0)	(19,785)	(1.0)	(7,711)	(0.9)	(8,333)	(0.7)
Delivery service fees	(2,676)	(0.2)	(11,255)	(0.8)	(20,682)	(1.1)	(9,063)	(1.0)	(14,921)	(1.2)
Other expenses	(43,455)	(3.7)	(75,911)	(5.2)	(122,642)	(6.5)	(49,386)	(5.6)	(51,283)	(4.1)
Share of (losses)/profits of associates	(1,116)	(0.1)	(671)	(0.0)	(1,996)	(0.1)	(1,309)	(0.1)	1,087	0.1
Other net (losses)/income	(5,444)	(0.5)	(585)	(0.0)	1,208	0.1	879	0.1	(1,889)	(0.2)
Finance costs	(49,480)	(4.2)	(51,846)	(3.5)	(58,261)	(3.1)	(23,865)	(2.7)	(29,059)	(2.3)
Profit before taxation	75,704	6.5	99,474	6.8	104,381	5.5	75,891	8.7	138,546	11.2
Income tax	(24,418)	(2.1)	(27,827)	(1.9)	(30,533)	(1.6)	(21,503)	(2.5)	(36,509)	(3.0)
Profit for the year/period	51,286	4.4	71,647	4.9	73,848	3.9	54,388	6.2	102,037	8.2
Total comprehensive income for the year/period	51,286	4.4	71,647	4.9	73,848	3.9	54,388	6.2	102,037	8.2
Attributable to:										
Equity Shareholders of the Company	51,862	4.5	66,861	4.6	69,648	3.7	51,154	5.8	92,562	7.5
Non-controlling interests	(576)	(0.0)	4,786	0.3	4,200	0.2	3,234	0.4	9,475	0.8
Total comprehensive income for the year/period	51,286	4.4	71,647	4.9	73,848	3.9	54,388	6.2	102,037	8.2
Non-IFRS measure										
Operating profit	195,684	16.8	251,489	17.1	317,709	16.8	160,914	18.4	241,432	19.5
Adjusted net profit	54,987	4.7	75,336	5.1	78,638	4.2	56,335	6.4	116,341	9.4

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Revenue

We generate revenue from three segments classified by brands, including Jiu Mao Jiu, Tai Er and all other brands. Services provided by us or activities we engage in comprise (i) restaurant operations, (ii) delivery business, (iii) sales of specialities and (iv) others including franchising and management and operation of Machang Restaurant. Our revenue was RMB1,164.3 million, RMB1,469.2 million, RMB1,892.8 million, RMB874.5 million and RMB1,237.1 million for the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019, respectively.

The following table sets forth a breakdown of our revenue by brands for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(In thousands, except for percentages)									
	<i>(unaudited)</i>									
Jiu Mao Jiu	1,092,329	93.8	1,203,566	81.9	1,334,045	70.5	645,254	73.8	682,790	55.2
Tai Er	67,810	5.8	244,025	16.6	540,232	28.5	218,067	24.9	538,109	43.5
Other Brands ^{1, 2}	4,117	0.4	21,592	1.5	18,544	1.0	11,170	1.3	16,239	1.3
Total revenue	1,164,256	100.0	1,469,183	100.0	1,892,821	100.0	874,491	100.0	1,237,138	100.0

Notes:

See notes on page 131.

The following table sets forth a breakdown of our revenue from each service line for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(In thousands, except for percentages)									
	<i>(unaudited)</i>									
Restaurant operations	1,133,363	97.3	1,352,384	92.1	1,688,503	89.2	784,734	89.7	1,117,084	90.3
Delivery business	24,411	2.1	104,831	7.1	188,960	10.0	83,251	9.5	106,014	8.6
Sales of specialities	1,506	0.2	1,709	0.1	949	0.1	335	0.1	697	0.1
Others	4,976	0.4	10,259	0.7	14,409	0.7	6,171	0.7	13,343	1.0
Total	1,164,256	100.0	1,469,183	100.0	1,892,821	100.0	874,491	100.0	1,237,138	100.0

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The following table sets forth a breakdown of our revenue by geographic location and by brand for the periods indicated:

	<u>For the year ended December 31,</u>			<u>For the six months ended</u>	
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>June 30,</u>	<u>2019</u>
	(RMB in thousands)				
	<i>(unaudited)</i>				
Jiu Mao Jiu					
Southern China . . .	933,575	1,031,064	1,141,293	554,940	586,509
Central and Eastern China	72,195	81,694	103,927	49,203	49,803
Northern China . . .	86,559	90,808	88,825	41,111	46,478
Western China . . .	—	—	—	—	—
Tai Er					
Southern China . . .	67,810	243,294	449,592	201,274	363,265
Central and Eastern China	—	731	74,377	16,793	126,058
Northern China . . .	—	—	15,245	—	28,372
Western China . . .	—	—	1,018	—	20,414
Other Brands					
Southern China . . .	4,117	21,592	18,544	11,170	16,239
Central and Eastern China	—	—	—	—	—
Northern China . . .	—	—	—	—	—
Western China . . .	—	—	—	—	—
Total revenue . . .	<u>1,164,256</u>	<u>1,469,183</u>	<u>1,892,821</u>	<u>874,491</u>	<u>1,237,138</u>

Other Revenue

Other revenue consisted of (i) interest income on bank deposits, rental deposits and other financial assets, and (ii) government grants, which mainly represented unconditional cash awards granted by the government authorities in the PRC.

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The following table sets forth a breakdown of our other revenue for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
	<i>(unaudited)</i>				
Interest income on:					
Bank deposits. . .	179	271	464	202	433
Rental deposits. .	887	1,220	1,714	724	995
Other financial assets.	141	264	305	83	166
Sub total	1,207	1,755	2,483	1,009	1,594
Government grants	238	500	100	—	312
Total	1,455	2,255	2,583	1,009	1,906

Raw Materials and Consumables Used

Our raw materials and consumables used consisted of costs for food ingredients procured from external suppliers and consumables used in our restaurants such as napkins and packaging materials. For the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019, our raw materials and consumables used were RMB384.1 million, RMB512.5 million, RMB671.9 million, RMB295.3 million and RMB435.0 million, respectively, representing 33.0%, 34.9%, 35.5%, 33.8% and 35.2% of our revenue for the respective period.

Staff Costs

Our staff costs (including directors' emoluments) consisted of costs for (i) salaries, wages and other benefits, (ii) contributions to defined contribution retirement plan and (iii) equity-settled share-based payment expenses to our directors and employees. For the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019, our staff costs were RMB327.7 million, RMB400.2 million, RMB523.5 million, RMB239.5 million and RMB320.1 million, respectively, representing 28.1%, 27.2%, 27.7%, 27.4% and 25.9% of our revenue for the respective period.

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The following table sets forth a breakdown of our staff costs for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
	<i>(unaudited)</i>				
Salaries, wages and other benefits . . .	319,824	390,768	510,191	233,853	310,382
Contributions to defined contribution retirement plan . .	4,189	5,770	8,498	3,724	5,237
Equity-settled share-based payment expenses	3,701	3,689	4,790	1,947	4,454
Total	<u>327,714</u>	<u>400,227</u>	<u>523,479</u>	<u>239,524</u>	<u>320,073</u>

Depreciation of Right-of-use Assets

Our depreciation of right-of-use assets represented depreciation charges for our capitalized leases. For the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019, our depreciation of right-of-use assets were RMB110.0 million, RMB128.6 million, RMB154.8 million, RMB73.2 million and RMB104.6 million, respectively, representing 9.4%, 8.8%, 8.2%, 8.4% and 8.5% of our revenue for the respective period.

Other Rentals and Related Expenses

Our other rentals and related expenses mainly represented (i) lease payments for leases that had a lease term of 12 months or less and leases of low-value assets; and (ii) the variable lease payments based on operation results of related restaurants rather than fix rates. For the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019, our other rentals and related expenses were RMB6.0 million, RMB9.2 million, RMB29.1 million, RMB13.3 million and RMB21.5 million, respectively, representing 0.5%, 0.6%, 1.5%, 1.5% and 1.7% of our revenue for the respective period.

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The following table sets forth a breakdown of our other rentals and related expenses for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
	<i>(unaudited)</i>				
Expenses relating to short-term leases	2,934	2,833	3,081	1,087	1,337
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	11	69	74	38	37
Variable lease payments not included in the measurement of lease liabilities . .	3,053	6,312	25,975	12,163	20,086
Total	<u>5,998</u>	<u>9,214</u>	<u>29,130</u>	<u>13,288</u>	<u>21,460</u>

Depreciation and Amortization of Other Assets

Depreciation and amortization of other assets represented depreciation and amortization charges for our owned kitchen equipment, other long-term assets and capitalized renovation costs of our restaurants, central kitchens and offices, and amortization charges for softwares. For the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019, depreciation and amortization of other assets were RMB64.8 million, RMB76.2 million, RMB81.3 million, RMB38.7 million and RMB49.2 million, respectively, representing 5.6%, 5.2%, 4.3%, 4.4% and 4.0% of our revenue for the respective period.

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Utilities Expenses

Our utilities expenses primarily consisted of expenses in relation to electricity utilities, and to a lesser extent, gas and water utilities. For the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019, our utilities expenses amounted to RMB73.4 million, RMB79.7 million, RMB93.8 million, RMB44.4 million and RMB50.5 million, respectively, representing 6.3%, 5.4%, 5.0%, 5.1% and 4.1% of our revenue for the respective period.

Travelling and Related Expenses

Travelling and related expenses mainly represented travel expenses of our staff for daily operations. For the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019, our travelling and related expenses were RMB7.2 million, RMB10.2 million, RMB14.4 million, RMB4.6 million and RMB5.5 million, respectively, representing 0.6%, 0.7%, 0.8%, 0.5% and 0.4% of our revenue for the respective period.

Listing Expenses

Listing expenses represent expenses incurred in relation to the Global Offering, which has been expensed for the six months ended June 30, 2019.

Advertising and Promotion Expenses

Our advertising and promotion expenses mainly represented expenses on marketing activities and promotions in our restaurants. For the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019, our advertising and promotion expenses were RMB14.7 million, RMB15.0 million, RMB19.8 million, RMB7.7 million and RMB8.3 million, respectively, representing 1.3%, 1.0%, 1.0%, 0.9% and 0.7% of our revenue for the respective period.

Delivery Service Fees

Our delivery service fees represented fees paid to delivery platforms. During the Track Record Period, we offered delivery services to our customers through services provided by third party delivery platforms to expand our delivery business. For the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019, our delivery service fees were RMB2.7 million, RMB11.3 million, RMB20.7 million, RMB9.1 million and RMB14.9 million, respectively, representing 0.2%, 0.8%, 1.1%, 1.0% and 1.2% of our revenue for the respective period.

Other Expenses

Other expenses mainly consisted of upfront costs for opening new restaurants, services fees to third-party service providers, transport charges for raw material shipments, impairment losses and other inventories losses. For the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019, our other expenses were RMB43.5 million, RMB75.9 million, RMB122.6 million, RMB49.4 million and RMB51.3 million, respectively, representing 3.7%, 5.2%, 6.5%, 5.6% and 4.1% of our revenue for the respective period.

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The following table sets forth a breakdown of our other expenses by nature for the periods indicated:

	For the year ended December 31,			For the six months ended	
	2016	2017	2018	June 30, 2018	2019
	(RMB in thousands)				
	<i>(unaudited)</i>				
Services fees to third-party service providers	9,124	19,543	20,365	8,284	11,784
Upfront costs for opening new restaurants	4,030	11,315	23,819	5,664	13,361
Transport charges	7,517	10,840	17,747	7,197	10,701
Maintenance expenses .	4,437	4,865	7,838	2,627	4,328
Cultural activity fees . .	2,722	3,707	5,367	3,931	4,399
Bank charges	3,727	3,370	1,177	673	2,260
Insurance expenses . . .	1,082	1,185	1,258	1,178	731
Business development expenses	615	1,055	1,976	753	1,095
Office expenses	2,765	3,973	4,961	1,301	582
Impairment losses	1,981	2,020	7,266	—	—
Research and development expenses	305	334	703	173	363
Other inventories losses	3,066	9,889	22,149	11,284	—
Others	2,084	3,815	8,016	6,321	1,679
Total	43,455	75,911	122,642	49,386	51,283

Share of (Losses)/Profits of Associates

Share of (losses)/profits of associates represented losses or profits from our equity investment in our associates. For the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019, we recorded share of (losses)/profits of associates of RMB(1.1) million, RMB(0.7) million, RMB(2.0) million, RMB(1.3) million and RMB1.1 million, respectively.

Other Net (Losses)/Income

Other net (losses)/income primarily consisted of gains or losses on disposal of related assets or liabilities when we close certain restaurants and terminate relevant lease agreements with lessors. For the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019, we recognized other net (losses)/income of RMB(5.4) million, RMB(0.6) million, RMB1.2 million, RMB0.9 million and RMB(1.9) million, respectively.

Finance Costs

Our finance costs represented interests on bank loans, lease liabilities and provisions. For the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019, our finance costs were RMB49.5 million, RMB51.8 million, RMB58.3 million, RMB23.9 million and RMB29.1 million, respectively, representing 4.2%, 3.5%, 3.1%, 2.7% and 2.3% of our revenue for the respective period.

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The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
	<i>(unaudited)</i>				
Interest on bank loans	2,116	1,483	1,006	416	1,818
Interest on lease liabilities	46,295	49,124	55,758	22,794	26,560
Interest on provisions	1,069	1,239	1,497	655	681
Total	<u>49,480</u>	<u>51,846</u>	<u>58,261</u>	<u>23,865</u>	<u>29,059</u>

Income Tax

Our income tax represented income tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile.

Cayman Islands and British Virgin Islands

During the Track Record Period, we did not have any assessable income in the Cayman Islands and the British Virgin Islands.

Hong Kong

The provision for Hong Kong Profits Tax for the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019 was calculated at 16.5% of the estimated assessable profits for the respective periods, except for one subsidiary of the group which was a qualifying corporation under the two-tiered Profits Tax rate regime. The two-tiered Profits Tax rate regime is applicable to year of assessment commencing on or after April 1, 2018. For this subsidiary, the first HK\$2.0 million of assessable profits were taxed at 8.25% and the remaining assessable profits were taxed at 16.5%.

The subsidiaries in Hong Kong of the Group did not have any assessable profits during the Track Record Period.

The PRC

During the Track Record Period, most of our PRC subsidiaries were subject to a statutory EIT rate of 25% under the EIT Law.

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For the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019, our income tax expenses were RMB24.4 million, RMB27.8 million, RMB30.5 million, RMB21.5 million and RMB36.5 million, respectively. In addition to applicable EIT rates, our effective income tax rates may also be affected by non-deductible expenses, unused tax losses not recognized, deductible temporary differences not recognized, super deduction on salary payment for disabled and tax effect of using the unused tax losses and deductible temporary differences for which no deferred tax asset was recognized in previous years. For the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019, our effective income tax rate was 32.3%, 27.9%, 29.2%, 28.3% and 26.4%, respectively.

During the Track Record Period and as of the Latest Practicable Date, we fulfilled all of our tax obligations and did not have any unresolved tax disputes.

Non-controlling Interests

Along with the growth of our business, we have established certain subsidiaries for future development. For details, see “History, Reorganization and Corporate Structure — Our Group.” Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company. For the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019, our (loss)/profit attributable to non-controlling interests were RMB(0.6) million, RMB4.8 million, RMB4.2 million, RMB3.2 million and RMB9.5 million, respectively.

Non-IFRS Measures

We adopt the operating profit and adjusted net profit, which are not required by or presented in accordance with IFRS as important financial measures to supplement our consolidated financial statements. We believe that operating profit is helpful for investors and others to understand our multi-brand and multi-concept strategy by directly illustrating the profitability of our different brands, and that it is frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. The presentation of adjusted net profit facilitates comparisons of operating performance from period to period and company to company, by eliminating potential impacts of items that our management does not consider indicative of our operating performance. Listing expenses are one-off expenses in relation to the Global Offering. Equity-settled share-based payment expenses are non-operational expenses arising from granting restricted stock units to selected executives and employees, the amount of which may not directly correlate with the underlying performance of our business operations. We believe that the adjusted net profit is frequently used by other interested parties when evaluating the performance of a company. Our management uses such non-IFRS measures as additional measurement tools for business decision-making. Other companies in our industry may calculate these non-IFRS measures differently than we do. We believe that the non-IFRS measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the operating profit and the adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of the 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. Our presentation of the non-IFRS measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

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Operating profit and operating profit margin

We define operating profit as revenue deducting (i) raw materials and consumables used, (ii) staff costs, (iii) depreciation of right-of-use assets, (iv) other rentals and related expenses, (v) depreciation and amortization of other assets, (vi) utilities expenses and (vii) delivery service fees. The following table sets forth our operating profit and operating profit margin by brands for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	Operating Profit	Operating Profit Margin	Operating Profit	Operating Profit Margin	Operating Profit	Operating Profit Margin	Operating Profit	Operating Profit Margin	Operating Profit	Operating Profit Margin
	(RMB in thousands, except for percentages)									
Jiu Mao Jiu	176,493	16.2	199,473	16.6	230,186	17.3	116,349	18.0	123,534	18.1
Tai Er	20,423	30.1	54,500	22.3	97,063	18.0	49,001	22.3	125,284	23.3
Other Brands ¹	(1,232)	(29.9)	(2,484)	(11.5)	(9,540)	(51.4)	(4,436)	(39.7)	(7,386)	(45.5)
Total	195,684	16.8	251,489	17.1	317,709	16.8	160,914	18.4	241,432	19.5

Notes:

- In this table, other brands include restaurants operating under the brands of Double Eggs, Cooking Spicy Kebab, Uncle Chef, Bravo Sirloin (不怕虎牛腩), Coconut House (椰語堂) and Happy Mouth (咧嘴).
- The calculation of operating profit also includes central management costs allocated to each brand.

Our overall operating profit amounted to RMB195.7 million, RMB251.5 million, RMB317.7 million, RMB160.9 million and RMB241.4 million for the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019. The increasing trend was primarily due to (i) the relatively stable growth of Jiu Mao Jiu and (ii) the rapid expansion of Tai Er during the Track Record Period. For detailed analysis on our operating profit margin, see “— Major Financial Ratios — Operating Profit Margin.”

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Adjusted net profit and adjusted net profit margin

We define adjusted net profit as profit for the year/period adjusted by excluding all non-recurring charges/gains, namely, adding (i) equity-settled share-based payment expenses and (ii) listing expenses. The following table illustrates reconciliations to our adjusted net profit from our profit for the year/period for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
	<i>(unaudited)</i>				
Profit for the year/period	51,286	71,647	73,848	54,388	102,037
Add:					
Equity-settled share-based payment expenses	3,701	3,689	4,790	1,947	4,454
Listing expenses	—	—	—	—	9,850
Adjusted net profit	54,987	75,336	78,638	56,335	116,341
Revenue	1,164,256	1,469,183	1,892,821	874,491	1,237,138
Net profit margin (%)	4.4	4.9	3.9	6.2	8.2
Adjusted net profit margin (%)	4.7	5.1	4.2	6.4	9.4

Our adjusted net profit increased by 37.0% from RMB55.0 million in 2016 to RMB75.3 million in 2017 and further increased by 4.4% to RMB78.6 million in 2018, representing a CAGR of 19.6%. Our adjusted net profit increased by 106.5% from RMB56.3 million for the six months ended June 30, 2018 to RMB116.3 million for the six months ended June 30, 2019. For analysis on our adjusted net profit margin, see “— Major Financial Ratios — Adjusted Net Profit Margin.”

DISCUSSION OF HISTORICAL OPERATING RESULTS

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2019

Revenue

Our revenue increased by 41.5% from RMB874.5 million for the six months ended June 30, 2018 to RMB1,237.1 million for the six months ended June 30, 2019, primarily reflecting (i) an increase in revenue from Jiu Mao Jiu of RMB37.5 million, (ii) an increase in revenue from Tai Er of RMB320.0 million and (iii) an increase in revenue from other brands of RMB5.1 million.

Discussion of revenue by brands

Our revenue from Jiu Mao Jiu increased by 5.8% from RMB645.3 million for the six months ended June 30, 2018 to RMB682.8 million for the six months ended June 30, 2019 primarily due to (i) an increase in the number of our Jiu Mao Jiu restaurants generating revenue for the six months ended June 30, 2019 compared with six months ended June 30, 2018, as the number of our Jiu Mao Jiu restaurants increased from 142 as of June 30, 2018 to 149 as of June 30, 2019, and (ii) an increase in the same store sales of our Jiu Mao Jiu restaurants by 1.7% from RMB553.4 million for the six months ended June 30, 2018 to RMB562.8 million for the six months ended June 30, 2019, resulting from the increase in

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average spending per customer from RMB53 for the six months ended June 30, 2018 to RMB56 for the six months ended June 30, 2019 as a result of streamlined menu and increased dish prices, and the growth of our revenue from delivery services, while average customers served daily per restaurant remained stable. Our revenue from Jiu Mao Jiu as a percentage of total revenue decreased from 73.8% for the six months ended June 30, 2018 to 55.2% for the six months ended June 30, 2019.

Our revenue from Tai Er increased by 146.8% from RMB218.1 million for the six months ended June 30, 2018 to RMB538.1 million for the six months ended June 30, 2019 primarily due to (i) an increase in the number of our Tai Er restaurants generating revenue for the six months ended June 30, 2019 compared with six months ended June 30, 2018, as the number of our Tai Er restaurants increased significantly from 33 as of June 30, 2018 to 91 as of June 30, 2019 and (ii) an increase in the same store sales of our Tai Er restaurants by 4.5% from RMB198.4 million for the six months ended June 30, 2018 to RMB207.3 million for the six months ended June 30, 2019, as average spending per customer of our Tai Er restaurants increased from RMB72 for the six months ended June 30, 2018 to RMB75 for the six months ended June 30, 2019 as a result of streamlined menu and increased side dish and beverage prices, while seat turnover rate of our Tai Er restaurants remain relatively stable at 5.0 and 4.9 times per day for the six months ended June 30, 2018 and 2019, respectively. Our revenue from Tai Er as a percentage of total revenue increased significantly from 24.9% for the six months ended June 30, 2018 to 43.5% for the six months ended June 30, 2019.

Our revenue from other brands increased by 45.4% from RMB11.2 million for the six months ended June 30, 2018 to RMB16.2 million for the six months ended June 30, 2019 primarily due to (i) the increase in revenue from Double Eggs of RMB5.0 million and (ii) revenue contribution from our first Cooking Spicy Kebab restaurant and Uncle Chef restaurant opened in the six months ended June 30, 2019 of RMB2.7 million and RMB1.0 million, respectively, partially offset by a decrease in revenue of RMB5.6 million due to the closing down of Bravo Sirloin restaurants. Revenue from other brands as a percentage of total revenue remained relatively stable at 1.3% and 1.3% for the six months ended June 30, 2018 and 2019, respectively.

Discussion of revenue by service lines

Revenue from restaurant operations increased by 42.4% from RMB784.7 million for the six months ended June 30, 2018 to RMB1,117.1 million for the six months ended June 30, 2019, primarily due to (i) an increase in the number of restaurants generating revenue in the six months ended June 30, 2019 compared with the six months ended June 30, 2018, as the number of our self-operated restaurants increased from 186 as of June 30, 2018 to 262 as of June 30, 2019, and in particular, the number of our Tai Er restaurants increased significantly from 33 as of June 30, 2018 to 91 as of June 30, 2019, and (ii) an increase in our overall same store sales by 2.4% from RMB756.1 million for the six months ended June 30, 2018 to RMB774.4 million for the six months ended June 30, 2019 mainly resulting from the increased average spending per customer as a result of streamlined menu and increased side dish and beverage prices of Jiu Mao Jiu and Tai Er. Revenue from restaurant operations as a percentage of total revenue increased slightly from 89.7% for the six months ended June 30, 2018 to 90.3% for the six months ended June 30, 2019 as revenue from our Tai Er restaurants, which did not offer delivery services, as a percentage of total revenue increased rapidly.

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Revenue from delivery business increased by 27.3% from RMB83.3 million for the six months ended June 30, 2018 to RMB106.0 million for the six months ended June 30, 2019, primarily due to the increase in scale of our delivery service operations as a result of restaurant network expansion, with the number of delivery orders increased from approximately 1.4 million for the six months ended June 30, 2018 to approximately 1.6 million for the six months ended June 30, 2019 while average sales per order increased from RMB61.3 for the six months ended June 30, 2018 to RMB66.7 for the six months ended June 30, 2019. Revenue from our delivery business as a percentage of total revenue decreased from 9.5% for the six months ended June 30, 2018 to 8.6% for the six months ended June 30, 2019.

Revenue from sales of specialities increased by 108.1% from RMB0.3 million for the six months ended June 30, 2018 to RMB0.7 million for the six months ended June 30, 2019, primarily due to the expansion of our restaurant network.

Revenue from others increased by 116.2% from RMB6.2 million for the six months ended June 30, 2018 to RMB13.3 million for the six months ended June 30, 2019, primarily due to the increase in the revenue from our franchised Double Eggs restaurants of RMB6.1 million resulting from the growth of our number of franchised Double Eggs restaurants. Revenue from others as a percentage of total revenue increased slightly from 0.7% for the six months ended June 30, 2018 to 1.1% for the six months ended June 30, 2019.

Other revenue

Our other revenue increased by 88.9% from RMB1.0 million for the six months ended June 30, 2018 to RMB1.9 million for the six months ended June 30, 2019 primarily due to (i) an increase in our interest income of RMB0.6 million from more bank deposits, rental deposits and more other financial assets purchased which was mainly short-term wealth management products, and (ii) an increase in government grants of RMB0.3 million as a result of the 10% deduction of input value-added tax from April 2019.

Raw materials and consumables used

Our raw materials and consumables used increased by 47.3% from RMB295.3 million for the six months ended June 30, 2018 to RMB435.0 million for the six months ended June 30, 2019 in relation to our business expansion. Our raw materials and consumables used as a percentage of revenue increased from 33.8% for the six months ended June 30, 2018 to 35.2% for the six months ended June 30, 2019, primarily due to the growth of our restaurant operations under Tai Er, as raw materials and consumables used as a percentage of revenue was relatively higher for Tai Er compared with Jiu Mao Jiu.

Staff costs

Our staff costs increased by 33.6% from RMB239.5 million for the six months ended June 30, 2018 to RMB320.1 million for the six months ended June 30, 2019 primarily due to an increase in the number of our employees in relation to the expansion of our restaurant network as we recruited new employees for the newly opened restaurants. Our staff costs as a percentage of revenue decreased from 27.4% for the six months ended June 30, 2018 to 25.9% for the six months ended June 30, 2019, as we opened more Tai Er restaurants and staff costs as a percentage of revenue for Tai Er was relatively lower than Jiu Mao Jiu

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because we reduced staff costs of our Tai Er restaurants through a highly standardized food preparation process to hire as few employees as possible when we opened each new Tai Er restaurant.

Depreciation of right-of-use assets

Depreciation of right-of-use assets increased by 42.8% from RMB73.2 million for the six months ended June 30, 2018 to RMB104.6 million for the six months ended June 30, 2019 primarily due to the increase in the number of our restaurants. Depreciation of right-of-use assets as a percentage of revenue remained relatively stable at 8.4% and 8.5% for the six months ended June 30, 2018 and 2019, respectively.

Other rentals and related expenses

Our other rentals and related expenses increased by 61.5% from RMB13.3 million for the six months ended June 30, 2018 to RMB21.5 million for the six months ended June 30, 2019 primarily due to the increase in the variable rent payments associated with the improvements in business performance of restaurants under variable rent arrangements. Our rent payable typically ranged from 8% to 11% of the revenue of the particular restaurant. Our other rentals and related expenses as a percentage of revenue increased from 1.5% for the six months ended June 30, 2018 to 1.7% for the six months ended June 30, 2019, primarily due to our newly opened Tai Er restaurants in the second half of 2018 and the six months ended June 30, 2019, a majority of which were under variable rent arrangements.

Depreciation and amortization of other assets

Depreciation and amortization of other assets increased by 27.2% from RMB38.7 million for the six months ended June 30, 2018 to RMB49.2 million for the six months ended June 30, 2019 primarily due to an increase in restaurant renovation costs in relation to our expansion of restaurant network. Depreciation and amortization of other assets as a percentage of revenue decreased from 4.4% for the six months ended June 30, 2018 to 4.0% for the six months ended June 30, 2019 primarily because revenue from Tai Er restaurants grew rapidly yet renovation costs of our Tai Er restaurants were relatively lower than Jiu Mao Jiu.

Utilities expenses

Our utilities expenses increased by 13.6% from RMB44.4 million for the six months ended June 30, 2018 to RMB50.5 million for the six months ended June 30, 2019 primarily due to the increase in the number of our restaurants. Our utilities expenses as a percentage of revenue decreased from 5.1% for the six months ended June 30, 2018 to 4.1% for the six months ended June 30, 2019, primarily due to the increase in revenue from our Tai Er restaurants, the utilities expenses of which were lower than Jiu Mao Jiu.

Travelling and related expenses

Our travelling and related expenses increased by 17.8% from RMB4.6 million for the six months ended June 30, 2018 to RMB5.5 million for the six months ended June 30, 2019 primarily because our staff traveled more for daily operations in relation to our expansion of restaurants network for the six months ended June 30, 2019 and incurred more related

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travelling and related expenses. Our travelling and related expenses as a percentage of revenue remained relatively stable at 0.5% for the six months ended June 30, 2018 and 0.4% for the six months ended June 30, 2019, respectively.

Listing expenses

We incurred listing expenses of RMB9.9 million (equivalent to approximately HK\$11.0 million), representing 0.8% of our revenue, for the six months ended June 30, 2019 in relation to the Global Offering.

Advertising and promotion expenses

Our advertising and promotion expenses increased by 8.1% from RMB7.7 million for the six months ended June 30, 2018 to RMB8.3 million for the six months ended June 30, 2019 in relation to marketing and promotion activities for our newly opened Tai Er restaurants during the period.

Delivery service fees

Our delivery service fees increased significantly by 64.6% from RMB9.1 million for the six months ended June 30, 2018 to RMB14.9 million for the six months ended June 30, 2019 primarily because (i) we renewed our delivery services contract with certain third party delivery platform in the six months ended June 30, 2019, pursuant to which we were required to pay delivery service fees to the third party delivery platform at a higher rate based on the sales of each delivery order, and (ii) our restaurant network expanded resulting in the growth of our delivery business.

Other expenses

Our other expenses increased by 3.8% from RMB49.4 million for the six months ended June 30, 2018 to RMB51.3 million for the six months ended June 30, 2019 primarily due to (i) an increase in upfront costs for opening new restaurants, such as expenses on cleaning supplies, utensils, uniforms and other miscellaneous expenses of RMB7.7 million, (ii) an increase in transport charges of RMB3.5 million and (iii) an increase in services fees to third-party service providers of RMB3.5 million relating to management consulting, environment protection assessments and fees to the customs agent, though no inventory loss relating to a former employee was recognized for the six months ended June 30, 2019.

Share of (losses)/profits of associates

We recognized share of losses of associates of RMB1.3 million for the six months ended June 30, 2018, while we recognized share of profits of associates of RMB1.1 million for the six months ended June 30, 2019, primarily due to the gains of our minority equity investments in associates in the catering service industry.

Other net (losses)/income

We recognized other net income of RMB0.9 million for the six months ended June 30, 2018, while we incurred other net losses of RMB1.9 million for the six months ended June 30, 2019, primarily due to losses on disposal of assets from restaurant closures.

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Finance costs

Our finance costs increased by 21.8% from RMB23.9 million for the six months ended June 30, 2018 to RMB29.1 million for the six months ended June 30, 2019 primarily due to (i) an increase in interest on lease liabilities recognized in accordance with IFRS 16 of RMB3.8 million associated with our increasing leases, and (ii) an increase in interest on bank loans of RMB1.4 million resulting from the increase in our bank borrowings.

Income tax

Our income tax increased by 69.8% from RMB21.5 million for the six months ended June 30, 2018 to RMB36.5 million for the six months ended June 30, 2019 primarily due to growth of our taxable income. Our effective tax rate decreased from 28.3% for the six months ended June 30, 2018 to 26.4% for the six months ended June 30, 2019, primarily due to tax effects of the utilization of unrecognized tax losses of previous years and the decrease in the unused tax losses not recognized.

Profit for the period

As a result of the foregoing, profit for the period increased by 87.6% from RMB54.4 million for the six months ended June 30, 2018 to RMB102.0 million for the six months ended June 30, 2019.

Adjusted net profit

Our adjusted net profit increased by 106.5% from RMB56.3 million for the six month ended June 30, 2018 to RMB116.3 million for the six months ended June 30, 2019.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2018

Revenue

Our revenue increased by 28.8% from RMB1,469.2 million in 2017 to RMB1,892.8 million in 2018, primarily reflecting (i) an increase of RMB130.5 million in revenue from Jiu Mao Jiu and (ii) an increase of RMB296.2 million in revenue from Tai Er, partially offset by (iii) a decrease of RMB3.0 million in revenue from other brands.

Discussion of revenue by brands

Our revenue from Jiu Mao Jiu increased by 10.8% from RMB1,203.6 million in 2017 to RMB1,334.0 million in 2018 primarily due to (i) an increase in the number of Jiu Mao Jiu restaurants generating revenue in 2018 compared with 2017, as we increased the number of our Jiu Mao Jiu restaurants from 139 as of December 31, 2017 to 147 as of December 31, 2018, and (ii) an increase in the same store sales for our Jiu Mao Jiu restaurants by 4.4% from RMB1,002.2 million in 2017 to RMB1,046.8 million in 2018, as a result of the growth of our revenue from delivery services and the increase in average spending per customer from RMB52 in 2017 to RMB53 in 2018 as a result of streamlined menu and increased side dish and beverage prices, while average customers served daily per restaurant remained stable. Our revenue from Jiu Mao Jiu as a percentage of total revenue decreased from 81.9% in 2017 to 70.5% in 2018, as the increase in the number of our Tai Er restaurant was faster than that of Jiu Mao Jiu.

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Our revenue from Tai Er increased significantly by 121.4% from RMB244.0 million in 2017 to RMB540.2 million in 2018 primarily due to (i) an increase in the number of Tai Er restaurants generating revenue in 2018 compared with 2017, as we increased the number of Tai Er restaurants from 28 as of December 31, 2017 to 65 as of December 31, 2018, due to their popularity and outstanding operating performance, and (ii) an increase in the same store sales of our Tai Er restaurants by 7.7% from RMB181.4 million in 2017 to RMB195.3 million in 2018, resulting from an increase in seat turnover rate of our Tai Er restaurants from 4.5 times per day in 2017 to 4.9 times per day in 2018 reflecting the steady growth and boosted popularity and recognition of Tai Er, as well as an increase in average spending per customer of our Tai Er restaurants from RMB69 in 2017 to RMB72 in 2018 as a result of streamlined menu and increased side dish and beverage prices. Our revenue from Tai Er as a percentage of total revenue increased from 16.6% in 2017 to 28.5% in 2018.

Our revenue from other brands decreased by 14.1% from RMB21.6 million in 2017 to RMB18.5 million in 2018 as we closed our Bravo Sirloin restaurants in 2018. Our revenue from other brands as a percentage of total revenue decreased from 1.5% in 2017 to 1.0% in 2018 accordingly.

Discussion of revenue by service lines

Revenue from restaurant operations increased by 24.9% from RMB1,352.4 million in 2017 to RMB1,688.5 million in 2018, primarily due to (i) an increase in the number of restaurants generating revenue in 2018 compared with 2017, as the number of our total self-operated restaurants increased from 175 as of December 31, 2017 to 227 as of December 31, 2018 because we kept opening new restaurants to expand our restaurant network, in particular, the number of our Tai Er restaurants increased significantly from 28 as of December 31, 2017 to 65 as of December 31, 2018, and (ii) a 4.9% increase in our overall same store sales from RMB1,183.6 million in 2017 to RMB1,242.1 million in 2018 mainly resulting from (a) the increased average spending per customer as a result of streamlined menu and increased side dish and beverage prices of Jiu Mao Jiu and Tai Er and (b) the increased seat turnover rate of Tai Er due to its boosted brand popularity and recognition. Revenue from restaurant operations as a percentage of total revenue decreased from 92.1% in 2017 to 89.2% in 2018 as our delivery business continued to grow at a high speed in 2018.

Revenue from our delivery business increased significantly by 80.3% from RMB104.8 million in 2017 to RMB189.0 million in 2018 primarily due to (i) the overall growth of the delivery service industry, and (ii) the expansion of our restaurant network, which resulted in an increase in the number of restaurants offering delivery services, as the number of delivery orders increased from approximately 1.6 million in 2017 to approximately 3.0 million in 2018 despite average sales per order decreased slightly from RMB65.5 in 2017 to RMB62.8 in 2018. Revenue from our delivery business as a percentage of total revenue increased from 7.1% in 2017 to 10.0% in 2018.

Revenue from sales of specialities decreased by 44.5% from RMB1.7 million in 2017 to RMB0.9 million in 2018.

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Revenue from others increased by 40.5% from RMB10.3 million in 2017 to RMB14.4 million in 2018, primarily due to (i) the increase in operation fees and sales income of food ingredients and semi-food products associated with the growth in Machang Restaurant's profit and (ii) the increase in sales income of food ingredients and semi-food products to our franchisees of RMB1.5 million associated with the expansion of our franchised Double Eggs restaurants. Revenue from others as a percentage of total revenue increased slightly from 0.7% in 2017 to 0.8% in 2018.

Other revenue

Our other revenue increased by 14.5% from RMB2.3 million in 2017 to RMB2.6 million in 2018, primarily due to an increase in interest income on bank deposits, rental deposits and other financial assets of RMB0.7 million, partially offset by a decrease in government grants of RMB0.4 million.

Raw materials and consumables used

Our raw materials and consumables used increased by 31.1% from RMB512.5 million in 2017 to RMB671.9 million in 2018 in line with our business expansion. Our raw materials and consumables used as a percentage of revenue increased from 34.9% in 2017 to 35.5% in 2018, primarily due to the increasing revenue contribution from our Tai Er restaurants, as raw materials and consumables as a percentage of revenue for Tai Er was higher than Jiu Mao Jiu.

Staff costs

Our staff costs increased by 30.8% from RMB400.2 million in 2017 to RMB523.5 million in 2018 primarily due to an increase in the number of our employees as we recruited and retained additional employees in preparation for new restaurants opening. Our staff costs as a percentage of revenue increased slightly from 27.2% in 2017 to 27.7% in 2018.

Depreciation of right-of-use assets

Depreciation of right-of-use assets increased by 20.4% from RMB128.6 million in 2017 to RMB154.8 million in 2018 in line with the increase in the number of our restaurants. Depreciation of right-of-use assets as a percentage of revenue decreased slightly from 8.8% in 2017 to 8.3% in 2018 primarily due to the decrease in the number of our newly opened restaurants under fixed rent arrangements as a percentage of total number of our newly opened restaurants.

Other rentals and related expenses

Our other rentals and related expenses increased significantly by 216.1% from RMB9.2 million in 2017 to RMB29.1 million in 2018, primarily due to the increase in the variable rent payments associated with the improvements in business performance of restaurants under variable rent arrangements. Our other rentals and related expenses as a percentage of revenue increased from 0.6% in 2017 to 1.5% in 2018, primarily because we kept opening new Tai Er restaurants in 2018, many of which were under variable rent arrangements.

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Depreciation and amortization of other assets

Depreciation and amortization of other assets increased by 6.7% from RMB76.2 million in 2017 to RMB81.3 million in 2018, primarily due to an increase in restaurant renovation costs resulting from the expansion of our restaurant network. Depreciation and amortization of other assets as a percentage of revenue decreased from 5.2% in 2017 to 4.3% in 2018, primarily because revenue contribution from Tai Er restaurants grew rapidly yet renovation costs as a percentage of revenue for Tai Er was relatively lower than Jiu Mao Jiu.

Utilities expenses

Our utilities expenses increased by 17.7% from RMB79.7 million in 2017 to RMB93.8 million in 2018, primarily due to the increase in the number of our restaurants. Our utilities expenses as a percentage of revenue decreased from 5.4% in 2017 to 5.0% in 2018, primarily because revenue contribution from Tai Er restaurants grew rapidly in 2018, and Tai Er restaurants incurred lower utilities expenses compared with Jiu Mao Jiu.

Travelling and related expenses

Our travelling and related expenses increased significantly by 41.0% from RMB10.2 million in 2017 to RMB14.4 million in 2018, primarily because our restaurant network expand rapidly, which caused our staff to travel more for daily operations. Our travelling and related expenses as a percentage of revenue remained relatively stable at 0.7% in 2017 and 0.8% in 2018, respectively.

Advertising and promotion expenses

Our advertising and promotion expenses increased by 31.8% from RMB15.0 million in 2017 to RMB19.8 million in 2018 in line with our business expansion. Our advertising and promotion expenses as a percentage of revenue remained relatively stable at 1.0% and 1.0% in both 2017 and 2018.

Delivery service fees

Our delivery service fees increased significantly by 83.8% from RMB11.3 million in 2017 to RMB20.7 million in 2018, primarily due to the adoption of services from third party delivery platforms to offer delivery services to customers. Our delivery service fees as a percentage of revenue increased from 0.8% in 2017 to 1.1% in 2018 in relation to our delivery business expansion.

Other expenses

Our other expenses increased by 61.6% from RMB75.9 million in 2017 to RMB122.6 million in 2018, primarily due to (i) an increase in upfront costs for opening new restaurants of RMB12.5 million and (ii) an increase in other inventories losses of RMB12.3 million due to an incident relating to a former employee, see “Business — Incident Relating to a Former Employee” for details. Our other expenses as a percentage of revenue increased from 5.2% in 2017 to 6.5% in 2018.

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Share of (losses)/profits of associates

We recognized RMB0.7 million and RMB2.0 million of share of losses of associates in 2017 and 2018, respectively, primarily due to the losses of our equity investment in associates in the catering service industry.

Other net (losses)/income

We recognized other net losses of RMB0.6 million in 2017, while we recorded other net income of RMB1.2 million in 2018, primarily due to a decrease in losses on disposals of assets and liabilities in relation to restaurant closures by RMB1.4 million.

Finance costs

Our finance costs increased by 12.4% from RMB51.8 million in 2017 to RMB58.3 million in 2018, primarily due to an increase in interest on lease liabilities recognized in accordance with IFRS 16 of RMB6.6 million associated with our increasing leases, partially offset by an decrease in interest on bank loans of RMB0.5 million as we repaid part of our bank borrowings.

Income tax

Our income tax increased by 9.7% from RMB27.8 million in 2017 to RMB30.5 million in 2018 associated with the growth of our taxable income. Our effective tax rate increased from 27.9% in 2017 to 29.2% in 2018, primarily due to an increase in unused tax losses and deductible temporary differences not recognized in relation to certain loss-making subsidiaries.

Profit for the year

As a result of the foregoing, profit for the year increased by 3.1% from RMB71.6 million in 2017 to RMB73.8 million in 2018.

Adjusted net profit

Our adjusted net profit increased by 4.4% from RMB75.3 million in 2017 to RMB78.6 million in 2018.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by 26.2% from RMB1,164.3 million in 2016 to RMB1,469.2 million in 2017, primarily reflecting (i) an increase in revenue from Jiu Mao Jiu of RMB111.2 million, (ii) an increase in revenue from Tai Er of RMB176.2 million and (iii) an increase in revenue from other brands of RMB17.5 million.

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Discussion of revenue by brands

Our revenue from Jiu Mao Jiu increased by 10.2% from RMB1,092.3 million in 2016 to RMB1,203.6 million in 2017 primarily due to (i) an increase in the number of Jiu Mao Jiu restaurants generating revenue in 2017 compared with 2016, as the number of our Jiu Mao Jiu restaurants increased from 128 as of December 31, 2016 to 139 as of December 31, 2017 and (ii) an increase in the same store sales by 8.2% from RMB992.4 million in 2016 to RMB1,074.0 million in 2017 for our Jiu Mao Jiu restaurants, resulting from the growth of revenue from delivery services of Jiu Mao Jiu, and the increase in average spending per customer from RMB48 in 2016 to RMB52 in 2017 as a result of streamlined menu and increased side dish and beverage prices, and the increase in average customers served daily per restaurant. Our revenue from Jiu Mao Jiu as a percentage of total revenue decreased from 93.8% in 2016 to 81.9% in 2017, primarily due to the rapid growth of Tai Er.

Our revenue from Tai Er increased significantly by 259.9% from RMB67.8 million in 2016 to RMB244.0 million in 2017 primarily due to (i) an increase in the number of Tai Er restaurants generating revenue in 2017 compared with 2016, as the number of our Tai Er restaurants significantly increased from 13 as of December 31, 2016 to 28 as of December 31, 2017 because we increased the number of Tai Er restaurants and (ii) a significant increase in the same store sales of our Tai Er restaurants by 34.3% from RMB43.6 million in 2016 to RMB58.6 million in 2017, resulting from an increase in seat turnover rate of our Tai Er restaurants from 3.6 times per day in 2016 to 4.5 times per day in 2017 reflecting an increase in the popularity and recognition of Tai Er, as well as an increase in average spending per customer of our Tai Er restaurants from RMB65 in 2016 to RMB69 in 2017 as a result of streamlined menu and increased side dish and beverage prices. Our revenue from Tai Er as a percentage of total revenue increased from 5.8% in 2016 to 16.6% in 2017.

Our revenue from other brands increased significantly by 424.5% from RMB4.1 million in 2016 to RMB21.6 million in 2017 primarily due to (i) an increase in revenue from our Bravo Sirloin restaurants of RMB15.0 million as most of them were opened during the fourth quarter of 2016 and (ii) revenue contribution from Double Eggs of RMB2.5 million which was launched in 2017. Our revenue from other brands as a percentage of total revenue increased from 0.4% in 2016 to 1.5% in 2017.

Discussion of revenue by service lines

Revenue from restaurant operations increased by 19.3% from RMB1,133.4 million in 2016 to RMB1,352.4 million in 2017, primarily due to (i) an increase in the number of restaurants generating revenue in 2017 compared with 2016, as a result of our efforts in expanding the restaurant network, with the number of our total self-operated restaurants increased from 141 as of December 31, 2016 to 175 as of December 31, 2017, and (ii) a 9.3% increase in our overall same store sales from RMB1,036.0 million in 2016 to RMB1,132.6 million in 2017 mainly due to (i) the increased average spending per customer as a result of streamlined menu and increased side dish and beverage prices of Jiu Mao Jiu and Tai Er and (ii) the increased seat turnover rate of Tai Er due to its boosted brand popularity and recognition. Revenue from restaurant operations as a percentage of total revenue decreased from 97.3% in 2016 to 92.1% in 2017 as a result of the rapid growth in our delivery business.

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Revenue from our delivery business increased significantly by 329.4% from RMB24.4 million in 2016 to RMB104.8 million in 2017, primarily due to the increase in revenue from delivery business in our Jiu Mao Jiu restaurants, as we offered delivery services in more restaurants, and the number of delivery orders increased significantly from approximately 0.4 million in 2016 to approximately 1.6 million in 2017 despite average sales per delivery order decreased slightly from RMB68.2 in 2016 to RMB65.5 in 2017 in line with the expansion of the delivery service industry. Revenue from our delivery business as a percentage of total revenue increased from 2.1% in 2016 to 7.1% in 2017.

Revenue from sales of specialities increased by 13.5% from RMB1.5 million in 2016 to RMB1.7 million in 2017.

Revenue from others increased significantly by 106.2% from RMB5.0 million in 2016 to RMB10.3 million in 2017, primarily because (i) revenue from operation fees increased as the profit before tax of Machang Restaurant increased and (ii) revenue from the sales of materials to Machang Restaurant increased as it started to purchase food ingredients and semi-processed food from our Group in the second half of 2016 compared with from third-party suppliers in the past. Revenue from others as a percentage of total revenue increased slightly from 0.4% in 2016 to 0.7% in 2017.

Other revenue

Our other revenue increased significantly by 56.1% from RMB1.4 million in 2016 to RMB2.3 million in 2017, primarily due to (i) an increase in government grants of RMB0.3 million and (ii) an increase in interest income of RMB0.5 million as a result of increases in our bank deposits, rental deposits and other financial assets.

Raw materials and consumables used

Our raw materials and consumables used increased by 33.4% from RMB384.1 million in 2016 to RMB512.5 million in 2017 in line with our business expansion. Our raw materials and consumables used as a percentage of revenue increased from 33.0% in 2016 to 34.9% in 2017, primarily due to an increase in revenue contribution from Tai Er for which raw materials and consumables used as a percentage of revenue was higher than Jiu Mao Jiu.

Staff costs

Our staff costs increased by 22.1% from RMB327.7 million in 2016 to RMB400.2 million in 2017 primarily due to an increase in the number of our employees in relation to the expansion of our restaurant network. Our staff costs as a percentage of revenue decreased from 28.1% in 2016 to 27.2% in 2017, primarily because we reduced staff costs of our Tai Er restaurants through a highly standardized food preparation process which enabled us to hire as few employees as possible compared with our other brands when we opened each new Tai Er restaurant.

Depreciation of right-of-use assets

Depreciation of right-of-use assets increased by 17.0% from RMB110.0 million in 2016 to RMB128.6 million in 2017 primarily due to an increase in the depreciation of the new premises we leased to open more restaurants. Depreciation of right-of-use assets as a percentage of

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revenue decreased from 9.4% in 2016 to 8.8% in 2017, primarily due to the decrease in the number of our newly opened restaurants under fixed rent arrangements as a percentage of total number of our newly opened restaurants.

Other rentals and related expenses

Our other rentals and related expenses increased by 53.6% from RMB6.0 million in 2016 to RMB9.2 million in 2017, primarily due to an increase in variable rents resulting from the expansion of our restaurant network and the increase in our revenue from restaurant operations. Our other rentals and related expenses as a percentage of revenue remained relatively stable at 0.5% in 2016 and 0.6% in 2017.

Depreciation and amortization of other assets

Depreciation and amortization of other assets increased by 17.7% from RMB64.8 million in 2016 to RMB76.2 million in 2017, primarily due to an increase in renovation costs of our newly opened restaurants in 2017. Depreciation and amortization of other assets as a percentage of revenue decreased slightly from 5.6% in 2016 to 5.2% in 2017, respectively.

Utilities expenses

Our utilities expenses increased by 8.5% from RMB73.4 million in 2016 to RMB79.7 million in 2017, primarily due to the increase in the number of our restaurants opened in 2017. Our utilities expenses as a percentage of revenue decreased from 6.3% in 2016 to 5.4% in 2017, primarily due to the revenue contribution from the newly-opened Tai Er restaurants which incurred lower utilities expenses compared with Jiu Mao Jiu.

Travelling and related expenses

Our travelling and related expenses increased significantly by 42.0% from RMB7.2 million in 2016 to RMB10.2 million in 2017, primarily because our staff travelled more for daily operations due to restaurant expansion, especially for Tai Er. Our travelling and related expenses as a percentage of revenue remained relatively stable at 0.6% in 2016 and 0.7% in 2017, respectively.

Advertising and promotion expenses

Our advertising and promotion expenses increased slightly by 2.0% from RMB14.7 million in 2016 to RMB15.0 million in 2017. Our advertising and promotion expenses as a percentage of revenue decreased slightly from 1.3% in 2016 to 1.0% in 2017.

Delivery service fees

Our delivery service fees increased significantly by 320.6% from RMB2.7 million in 2016 to RMB11.3 million in 2017 as we started to offer delivery services for Jiu Mao Jiu in March 2016 and experienced rapid growth from 2016 to 2017. Our delivery service fees as a percentage of revenue increased from 0.2% in 2016 to 0.8% 2017 in relation to our delivery business expansion.

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Other expenses

Our other expenses increased significantly by 74.7% from RMB43.5 million in 2016 to RMB75.9 million in 2017, primarily due to (i) an increase in fees to third-party service providers of RMB10.4 million in relation to management consulting, environment protection assessments and fees to the customs agent, (ii) an increase in upfront costs for opening new restaurants of RMB7.3 million and (iii) an increase in other inventories losses of RMB6.8 million due to an incident relating to a former employee. As a result, our other expenses as a percentage of revenue increased from 3.7% in 2016 to 5.2% in 2017.

Share of (losses)/profits of associates

We recognized share of losses of associates in relation to our minority equity investments in associates in the catering service industry of RMB1.1 million and RMB0.7 million in 2016 and 2017, respectively.

Other net (losses)/income

We incurred other net losses of RMB5.4 million and RMB0.6 million in 2016 and 2017, respectively, primarily due to restaurant closures, resulting in (i) a decrease in losses on disposal of assets and liabilities of RMB2.9 million and (ii) an increase in gains on reassessment of right-of-use assets of 2.2 million.

Finance costs

Our finance costs increased by 4.8% from RMB49.5 million in 2016 to RMB51.8 million in 2017, primarily due to an increase of RMB2.8 million in interest on lease liabilities recognized in accordance with IFRS 16 associated with our increasing leases, partially offset by an decrease in interest on bank loans of RMB0.6 million.

Income tax

Our income tax increased by 14.0% from RMB24.4 million in 2016 to RMB27.8 million in 2017 associated with our business expansion. Our effective tax rate decreased from 32.3% in 2016 to 27.9% in 2017, primarily due to the decrease in unused tax losses not recognized in relation to certain loss-making subsidiaries.

Profit for the year

As a result of the foregoing, profit for the year increased significantly by 39.7% from RMB51.3 million in 2016 to RMB71.6 million in 2017.

Adjusted net profit

Our adjusted net profit increased by 37.0% from RMB55.0 million in 2016 to RMB75.3 million in 2017.

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ANALYSIS OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Inventories

Our inventories mainly represented our (i) food ingredients, (ii) condiment product, (iii) beverage and (iv) other materials used in our restaurant operations. The following table set forth a breakdown of our inventories as of the date indicated:

	As of December 31,			As of
	2016	2017	2018	June 30, 2019
	(RMB in thousands)			
Food ingredients.	16,527	28,053	26,466	32,732
Condiment product	1,287	1,411	2,474	3,017
Beverage.	206	249	321	604
Other materials	2,400	3,313	7,126	7,893
Total.	20,420	33,026	36,387	44,246

Our inventories increased by 21.6% from RMB36.4 million as of December 31, 2018 to RMB44.2 million as of June 30, 2019 primarily because we kept expanding our restaurant network.

Our inventories increased by 10.2% from RMB33.0 million as of December 31, 2017 to RMB36.4 million as of December 31, 2018 primarily due to (i) an increase in condiment product of RMB1.1 million as we expanded our restaurant network under brands with heavy dishes, such as Tai Er and Cooking Spicy Kebab, which increased our demand for condiment product; and (ii) an increase in other materials of RMB3.8 million representing staff uniforms or consumables in store for restaurants.

Our inventories increased by 61.7% from RMB20.4 million as of December 31, 2016 to RMB33.0 million as of December 31, 2017 primarily due to (i) an increase in food ingredients of RMB11.5 million as we opened more restaurants in 2017, requiring us to maintain inventories at these restaurants, and (ii) the increase in our inventory storage capacity as we commenced to operate our central kitchen in Foshan in December 2016.

Our inventory turnover days in 2016, 2017 and 2018 equals the average of the beginning and ending inventories for that year divided by raw materials and consumables used for that year and multiplied by 365 days and amounted to 16.7 days, 19.0 days and 18.9 days, respectively. Our inventory turnover days for the six months ended June 30, 2019 equals the average of the beginning and ending inventories for the period divided by raw materials and consumables used for the period and multiplied by 180 days and was 16.7 days.

The decrease in our inventory turnover days from 18.9 days in 2018 to 16.7 days for the six months ended June 30, 2019, was primarily due to the growth of revenue from our Tai Er restaurants where fresh food ingredients were usually consumed daily, leading to a faster inventory turnover compared with our other brands. Our inventory turnover days remained relatively stable at 19.0 days in 2017 and 18.9 days in 2018. The increase in inventory turnover days from 16.7 days in 2016 to 19.0 days in 2017 was primarily due to the increase in our inventory storage capacity in relation to our central kitchen in Foshan launched in December 2016.

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As of the Latest Practicable Date, approximately RMB43.3 million, or 97.8% of our inventories as of June 30, 2019 were subsequently sold or utilized.

Trade and Other Receivables

Our trade and other receivables and prepayments primarily consist of (i) trade debtors, which primarily represented receivables from third-party payment platforms, (ii) other receivables, deposits and prepayments, which mainly represented rental deposits due within one year, prepayments to our suppliers, prepaid utilities expenses and input value-added tax to be deducted related to our restaurant renovations, and (iii) amounts due from related parties, which represented receivables from Machang Restaurant.

The following table sets forth a breakdown of our trade and other receivables as of the date indicated:

	As of December 31,			As of
	2016	2017	2018	June 30, 2019
	(RMB in thousands)			
Trade debtors	9,279	12,016	16,792	27,289
Other receivables, deposits and prepayments	60,660	67,535	88,145	110,011
Amounts due from related parties	15,116	16,512	19,539	21,134
Total	85,055	96,063	124,476	158,434

Trade debtors

The majority of our trade debtors were primarily in connection with (i) bills settled through third party payment platforms such as Alipay or Wechat Pay, which were normally settled within a short period of time, (ii) bills for our delivery business settled through third party delivery services platform, which were settled within three calendar days, and, to a lesser extent, (iii) bills received by shopping malls on behalf of us for certain restaurants, which were normally settled within one month. We did not have any past due trade debtors as of December 31, 2016, 2017 and 2018 and June 30, 2019.

The following table sets forth an aging analysis of our trade debtors and turnover days as of the date and period indicated.

	Year ended/for the year ended			As of/for
	2016	2017	2018	the six months ended June 30, 2019
	December 31,			
	(RMB in thousands, unless otherwise indicated)			
Within 1 month	9,279	12,016	16,792	27,289
Trade debtors turnover days ⁽¹⁾ .	2.2	2.6	2.7	3.2

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Note:

1. Trade debtors turnover days for each period equals the average of the beginning and ending balances of trade debtors for that period divided by revenue for that period and multiplied by the number of days in that period.

Our trade debtors increased from RMB9.3 million as of December 31, 2016, to RMB12.0 million as of December 31, 2017, and further to RMB16.8 million as of December 31, 2018 and to RMB27.3 million as of June 30, 2019, and our trade debtors turnover days increased from 2.2 days in 2016 to 2.6 days in 2017 and further to 2.7 days in 2018 and to 3.2 days in six months ended June 30, 2019, primarily reflecting our business growth and because our customers increasingly chose to settle their bills through third party payment platforms during the Track Record Period.

As of the Latest Practicable Date, approximately RMB27.3 million, or 100.0% of our trade debtors outstanding as of June 30, 2019 were subsequently settled.

Other receivables, deposits and prepayments

Our other receivables, deposits and prepayments increased by 24.8% from RMB88.1 million as of December 31, 2018 to RMB110.0 million as of June 30, 2019, primarily due to (i) an increase in rental deposits due within one year and property management fee deposits paid to lessors of RMB11.1 million as many of our newly opened Tai Er restaurants were located in popular shopping malls where the lessors usually requested higher rental deposits, (ii) an increase in prepayments for raw materials and consumables of RMB7.4 million as a result of our business expansion and (iii) an increase in prepayments for utilities of RMB3.0 million as requested by lessors of sites where many of our newly opened restaurants were located.

Our other receivables, deposits and prepayments increased by 30.5% from RMB67.5 million as of December 31, 2017 to RMB88.1 million as of December 31, 2018, primarily due to (i) an increase in deductible value-added tax of RMB4.7 million, (ii) an increase in prepaid upfront costs and advertising expenditures for opening new restaurants of RMB4.6 million, (iii) an increase in prepayments for raw materials and consumables of RMB4.0 million as a result of our business expansion and (iv) an increase in advances to employees and prepayments for employee dormitory rents of RMB4.0 million as we recruited more employees to support our business expansion.

Our other receivables, deposits and prepayments increased by 11.3% from RMB60.7 million as of December 31, 2016 to RMB67.5 million as of December 31, 2017, primarily due to (i) an increase in deductible value-added tax of RMB9.7 million and (ii) an increase in rental deposits due within one year and property management fee deposits paid to lessors of RMB4.6 million associated with the increase in our number of restaurants, partially offset by (iii) a decrease in prepaid upfront costs and advertising expenditures for opening new restaurants of RMB7.3 million.

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Amounts due from related parties

Our amounts due from related parties represented receivables from Machang Restaurant. Our amounts due from related parties increased from RMB15.1 million as of December 31, 2016 to RMB16.5 million as of December 31, 2017, and further to RMB19.5 million as of December 31, 2018 and to RMB21.1 million as of June 30, 2019, primarily due to the growth in profit before tax of Machang Restaurant.

Property, Plant and Equipment

The following table sets forth a breakdown of our property, plant and equipment during the Track Record Period:

	As of December 31,			As of
	2016	2017	2018	June 30,
	(RMB in thousands)			2019
Leasehold improvements — owned.	129,848	124,358	157,905	165,856
Kitchen equipment — owned	48,882	44,894	55,148	59,325
Electronic equipment — owned	26,450	22,645	22,905	23,438
Motor vehicles — owned	2,426	2,014	1,564	1,405
Furniture and fixtures and other equipment — owned	15,968	16,342	22,327	25,112
Construction in progress — owned	3,526	5,851	8,183	5,649
Total	<u>227,100</u>	<u>216,104</u>	<u>268,032</u>	<u>280,785</u>

Our property, plant and equipment increased by 4.8% from RMB268.0 million as of December 31, 2018 to RMB280.8 million as of June 30, 2019 in relation to the expansion of our restaurant network, including (i) an increase in leasehold improvements of RMB8.0 million and (ii) an increase in kitchen equipment purchased for newly-opened restaurants of RMB4.2 million.

Our property, plant and equipment increased by 24.0% from RMB216.1 million as of December 31, 2017 to RMB268.0 million as of December 31, 2018, primarily due to (i) an increase in leasehold improvements of RMB33.5 million, (ii) an increase in kitchen equipment purchased for newly-opened restaurants of RMB10.3 million and an increase in furniture and fixtures and other equipment of RMB6.0 million.

Our property, plant and equipment decreased by 4.8% from RMB227.1 million as of December 31, 2016 to RMB216.1 million as of December 31, 2017, primarily because the accumulated depreciation of property, plant and equipment of our Jiu Mao Jiu restaurants offset the increase in the book value of property, plant and equipment of our newly opened Tai Er restaurants, resulting in the decrease in the net book value of our property, plant and equipment.

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Right-of-use Assets

Our right-of-use assets represent the leases for our restaurant premises, headquarters offices, central kitchens and certain kitchen equipment. Our right-of-use assets increased by 8.8% from RMB420.1 million in 2016 to RMB457.0 million in 2017, further increased by 25.7% to RMB574.2 million in 2018, and further increased by 14.2% to RMB655.9 million as of June 30, 2019, primarily due to the continuous increase in the number of our restaurants.

Trade and Other Payables

Our trade and other payables consist of (i) trade payables to our suppliers, (ii) other payables and accrued charges primarily in relation to employee wages and salaries, restaurant renovations, kitchen equipment purchases and utilities, (iii) dividends payables, (iv) considerations payable and (v) amounts due to related parties which mainly includes income received on behalf of Machang Restaurant.

The following table sets forth a breakdown of our trade and other payables as of the date indicated:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Trade payables	49,740	53,964	72,464	84,715
Other payables and accrued charges	76,133	81,582	114,554	128,145
Dividends payables	—	—	30,000	—
Considerations payable	—	—	—	180,000
Amounts due to related parties .	12,766	14,566	17,177	17,967
Total	138,639	150,112	234,195	410,827

Trade payables

The majority of our trade payables were in connection with payables to our suppliers. The following is an aging analysis of our trade payables based on the invoice date and turnover days as of the date and period indicated:

	Year ended/for the year ended December 31,			As of/for the six months ended June 30,
	2016	2017	2018	2019
	(RMB in thousands, unless otherwise indicated)			
Within 1 year	49,740	53,964	72,464	84,715
Trade payables turnover days ⁽¹⁾	40.3	36.9	34.3	32.5

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Note:

1. Trade payables turnover days for each period equals the average of the beginning and ending balances of trade payables for that period divided by raw materials and consumables used for that period and multiplied by the number of days in that period.

Our trade payables increased from RMB49.7 million as of December 31, 2016, to RMB54.0 million as of December 31, 2017, and further to RMB72.5 million as of December 31, 2018 and to RMB84.7 million as of June 30, 2019, primarily reflecting our business growth. Our trade payables turnover days was 40.3 days, 36.9 days, 34.3 days and 32.5 days for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019. The continuous decrease in our trade payables turnover days was primarily due to our efforts to keep a long term relationship with our suppliers and secure stable supply of our key ingredients.

As of the Latest Practicable Date, approximately RMB84.7 million, or 100.0% of our trade payables outstanding as of June 30, 2019 were subsequently settled.

Other payables and accrued charges

Our other payables and accrued charges increased by 11.9% from RMB114.6 million as of December 31, 2018 to RMB128.1 million as of June 30, 2019, primarily due to (i) an increase in payables for wages and salaries of RMB7.3 million as a result of the increase in the number of our employees associated with our business expansion and (ii) an increase in payables to third-party service providers of RMB3.6 million in relation to the Listing.

Our other payables and accrued charges increased significantly by 40.4% from RMB81.6 million as of December 31, 2017 to RMB114.6 million as of December 31, 2018, primarily due to (i) an increase in payables for renovations of restaurant and kitchen equipment of RMB10.7 million, (ii) an increase in payables for utilities and miscellaneous of RMB6.3 million in relation to the expansion of our restaurant network and (iii) an increase in payables for wages and salaries of RMB10.5 million as a result of the increase in our staff costs associated with our business expansion.

Our other payables and accrued charges increased by 7.2% from RMB76.1 million as of December 31, 2016 to RMB81.6 million as of December 31, 2017, primarily due to an increase in payables for wages and salaries of RMB5.4 million as a result of the increase in the number of our employees and their wages and salaries.

Dividends payables

We declared RMB54.8 million dividend in 2018 and paid RMB24.8 million and RMB30.0 million in 2018 and 2019, respectively.

Considerations payable

Considerations payable represented the acquisition of Guangzhou Jiumaojiu by JMJ Holdings which constituted a part of the Reorganization. The consideration was settled by November 28, 2019 through proceeds from a syndicated loan facility of HK dollar equivalent of RMB180.0 million arranged by China Merchants Bank Co., Ltd., Hong Kong Branch, which bears an interest rate of HIBOR plus 0.8% per annum.

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Amounts due to related parties

Amount due to related parties represents income received on behalf of Machang Restaurant. Our amounts due to related parties increased from RMB12.8 million as of December 31, 2016 to RMB14.6 million as of December 31, 2017, and further to RMB17.2 million as of December 31, 2018 and to RMB18.0 million as of June 30, 2019, primarily due to the growth in revenue of Machang Restaurant.

Other Statement of Financial Position Items

Investments in associates

As of December 31, 2016, 2017 and 2018 and June 30, 2019, our investments in associates amounted to nil, RMB3.9 million, RMB3.9 million and RMB5.0 million, respectively, representing our investments in Guangzhou Jiang Er Dai Catering Co., Ltd. (“**Jiang Er Dai**”), Guangzhou Hun Fan Chi Catering Management Co., Ltd. (“**Hun Fan Chi**”) and Too Two Gourmet Inc. which were accounted for using the equity method. For particulars of these associates, see note 14 to the Accountants’ Report set forth in Appendix I. The following table illustrates a breakdown of the cost, share of (losses)/profits, impairment losses and carrying amount of our investments in associates:

	<u>As of December 31,</u>			<u>As of</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>June 30,</u>
	(RMB in thousands)			<u>2019</u>
Cost of investments in associates:				
Jiang Er Dai	2,520	2,520	2,520	2,520
Hun Fan Chi	—	4,525	4,525	4,525
Too Two Gourmet Inc.	—	—	2,073	2,073
	<u>2,520</u>	<u>7,045</u>	<u>9,118</u>	<u>9,118</u>
Share of (losses)/profits				
Jiang Er Dai	(1,116)	(1,116)	(1,116)	(1,116)
Hun Fan Chi	—	(671)	(3,120)	(3,327)
Too Two Gourmet Inc.	—	—	453	1,747
	<u>(1,116)</u>	<u>(1,787)</u>	<u>(3,783)</u>	<u>(2,696)</u>
Impairment losses:				
Jiang Er Dai	(1,404)	(1,404)	(1,404)	(1,404)
Carrying amount in the consolidated financial statements:				
Jiang Er Dai	—	—	—	—
Hun Fan Chi	—	3,854	1,405	1,198
Too Two Gourmet Inc.	—	—	2,526	3,820
	<u>—</u>	<u>3,854</u>	<u>3,931</u>	<u>5,018</u>

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Other non-current financial assets

Other non-current financial assets represented unlisted equity investments in several entities. Other non-current financial assets increased significantly by 196.0% from RMB4.6 million in 2016 to RMB13.7 million in 2017, primarily because we made new investments in several PRC companies. Other non-current financial assets decreased slightly by 5.8% to RMB12.9 million in 2018, and remain stable at RMB12.9 million as of June 30, 2019. As of the Latest Practicable Date, we had investments in four unlisted PRC companies, two of which are companies operating chain restaurants in China and owned by entrepreneurs in the catering service industry who are independent third parties, while the other two are limited partnerships, whose general partners are investment experts and independent third parties, and engaged in equity investments in companies in the catering service industry in China. We believe that, by investing in these companies, we would be able to gain insights into different business models in the catering service industry. As of the Latest Practicable Date, none of our Directors or employees held directorship in any of these investee companies. We plan to maintain these investments in the near future. The following table sets forth details of our investments:

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	Place of incorporation and business	Particulars of issued and paid-up capital (RMB)	Proportion of ownership interest and voting rights held by the Group as of			Investment amount as of June 30, 2019 (RMB in thousands)	Principal activities	
			December 31, 2016	December 31, 2017	December 31, 2018			
			June 30, 2019					
Shenzhen Jiu Run Chang Fa Investment Center (Limited Partnership) ⁽¹⁾	PRC	35,000,000	19.80%	19.80%	16.50%	16.50%	3,168	Investing in the following companies: 1. Company I, which engages in restaurant operations offering roasted ox tongue and barbecue buffet; 2. Company II, which engages in restaurant operations providing Chongqing cuisine; 3. Company III, which mainly engages in software development for catering enterprises; 4. Company IV, which engages in restaurant operations providing Chinese fast food; 5. Company V, which engages in restaurant operations providing Vietnamese cuisine; and 6. Company VI, which engages in restaurant operations providing Hunan rice noodles
Guangzhou Zuo Ji Catering Management Co., Ltd.	PRC	1,587,300	—	16.00%	16.00%	16.00%	1,920	Restaurant operations providing Chinese fried dumplings
Guangzhou He Xie Su De Investment Partnership ⁽²⁾	PRC	53,100,000	—	9.43%	9.43%	9.43%	5,000	Investing in one of the most popular tea shop brands in China, providing cheese tea drinks
Guangzhou Yu Jian Xiao Mian Catering Management Co., Ltd.	PRC	10,000,000	4.56%	4.56%	4.56%	4.56%	2,850	Restaurant operations providing Chongqing spicy noodles
Total							12,938	

Notes:

- Shenzhen Jiu Run Chang Fa Investment Center (Limited Partnership) (深圳市九潤長髮投資中心(有限合伙)) ("Jiu Run Chang Fa") is managed by its sole general partner, Ruan Zhiyong, who is an investment expert in the catering service industry and an independent third party. The limited partners of Jiu Run Chang Fa are Chen Ning, Jia Guolong, Gao Defu, Chen Shihong, Du Zhongbing and Pin Xin Yue Gu. Other than Pin Xin Yue Gu, our wholly-owned subsidiary, the remaining five limited partners are all entrepreneurs operating chain restaurants under different brands in the catering service industry and are independent third parties. Gao Defu held 3% equity interest in our Company as of the Latest Practicable Date. The size of assets managed by Jiu Run Chang Fa is approximately RMB20.4 million.
- Guangzhou He Xie Su De Investment Partnership (Limited Partnership) (廣州和諧素德投資合夥企業(有限合伙)) ("He Xie Su De") is managed by its sole general partner, Zhuhai You De Investment Holding Co., Ltd. (珠海由德投資控股有限公司), which is owned as to 60% by Feng Yuanyuan and as to 40% by Wang Hui, who are investment experts in the catering service industry and independent third parties. The limited partners of He Xie Su De are Ke Jiansheng, Jiang Ganjun, Huang Quanwei, Zhuhai He Jiang Hong Fu Investment Management Center (Limited Partnership) (珠海市合江鴻富投資管理中心(有限合伙)) and Pin Xin Yue Gu. Other than Pin Xin Yue Gu, our wholly-owned subsidiary, the remaining four limited partners are all independent third parties. Zhuhai He Jiang Hong Fu Investment Management Center (Limited Partnership) is a private equity fund beneficially owned by 22 individuals, namely Li Liangbin, Tang Jun, Yang Ji, Lv Zhiyun, Xie Jing, Liu Jia, Song Lijun, Li Ying, Liu Songtao, Shao Yueming, Fan Weijun, Song Quangeng, Li Ruiping, Li Qidong, Tang Renyu, Liu Jianming, Wang Rongli, Liu Shuya, Guo Dongmei, Li Dongqing, Wang Hui and Huang Yuhong, all of whom are independent third parties. The size of assets managed by He Xie Su De is approximately RMB53.1 million.

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The valuation work performed for financial assets

The unlisted equity securities disclosed in level 3 of fair value hierarchy were strategic investments made in start-up entities in related industry by the Group, as the investment size is relatively small, the Directors did not engage a valuer to perform the valuation.

The Directors are of the view that the cost of unlisted equity securities disclosed in level 3 of fair value hierarchy was an appropriate estimate of fair value, due to below reasons: (i) there is no quoted prices in an active market exist for the shares of the investees as they are private companies; (ii) subsequent to our initial investment, we keep track of the business performance and financial situation of the investees by obtaining the financial statements and through discussion with the investees' management, and concluded that: a) there have been no significant change in the performance of the investee compared with the expectation upon our initial investment; b) there have been no significant change in the economic environment and market in which the investee operates; c) no evidence of external transactions in the investee's equity, nor changes in the shareholding and capital structure of the investees. There are no such indicators that cost might not be representative of fair value identified.

Our Directors adopted the following procedures: (i) reviewed annual financial statements of the investees to check whether the business of the investees is on the track and to identify any significant changes in terms of net asset value of the investees after our investments; (ii) review any shareholding transactions on the investees after our investment.

Based on the above procedures and carefully considered all information, our Directors are of the view that using the cost as approximation of fair value is fair and reasonable, and the financial statements of our Group are properly prepared.

We had updated the disclosure notes to provide more qualitative information as mentioned above.

The Sponsor has (i) reviewed annual financial statements of the investees, (ii) obtained an understanding of the catering industry and the economic environment in which the investee operates and (iii) discussed with the Company to see if there are any shareholding transactions on the investees after their investment.

Based on that (i) there have been no significant change in the performance of the investees, (ii) there have been no significant change in the economic environment and market in which the investee operates, (iii) no evidence of external transactions in the investee's equity, nor changes in the shareholding and capital structure of the investees, and (iv) the business of the investees is on the track and there have been no significant changes in terms of net asset value of the investees after the Company's investments, the Sponsor concur that using the cost as approximation of fair value is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of our level 3 financial assets, are disclosed in note 27(e)(i) to the Accountants' Report set forth in Appendix I issued by our reporting accountants, KPMG, in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by HKICPA.

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Deferred tax assets

Our deferred tax assets increased by 22.9% from RMB30.8 million in 2016 to RMB37.9 million in 2017, further increased by 37.3% to RMB52.0 million in 2018, and further increased by 10.2% to RMB57.3 million as of June 30, 2019, primarily due to the increases in the recognition of cumulative tax losses of certain subsidiaries and temporary differences in relation to right-of-use assets and lease liabilities.

According to the PRC Tax Law, tax losses incurred by an entity in a year can be deducted from its taxable income in the succeeding five years. We only recognize deferred tax assets to the extent probable that future taxable income will be available, against which the deductible temporary differences can be utilized. We are required to exercise judgment in assessing the probability of future taxable income.

During the Track Record Period, the following deferred tax assets were recognized on tax losses incurred by subsidiaries that we expect will generate sufficient taxable income to utilize the deductible temporary differences:

- (i) in 2015, deferred tax assets of RMB2.4 million was recognized on tax losses of RMB9.8 million incurred by Nanjing Jiumaojiu;
- (ii) in 2016, deferred tax assets of RMB1.8 million was recognized on tax losses of RMB7.1 million incurred by Nanjing Jiumaojiu and Guangzhou Double Eggs;
- (iii) in 2017, deferred tax assets of RMB1.4 million was recognized on tax losses of RMB5.6 million incurred by Nanjing Jiumaojiu, Shanghai Er You and Guangzhou Double Eggs;
- (iv) in 2018, deferred tax assets of RMB6.2 million was recognized on tax losses of RMB24.6 million incurred by Nanjing Jiumaojiu, Foshan Maidian, Shanghai Er You, Tai Er HK, Guangzhou Double Eggs, Guangzhou Happy Mouth and Guangzhou Uncle Chef; and
- (v) for the six months ended June 30, 2019, deferred tax assets of RMB3.1 million was recognized on tax losses of RMB12.4 million incurred by Nanjing Jiumaojiu, Tai Er HK, Guangzhou Double Eggs, Guangzhou Happy Mouth and Guangzhou Uncle Chef, of which RMB0.6 million was offset by taxable income of RMB2.6 million generated by Foshan Maidian and Shanghai Er You during the same period.

During the Track Record Period, no deferred tax assets were recognized on the following tax losses incurred by subsidiaries because it was uncertain whether these subsidiaries would generate sufficient taxable income in the succeeding five years to utilize the deductible temporary differences:

- (i) in 2016, tax losses of RMB14.1 million incurred by Wuhan Jiumaojiu, Tianjin Jiumaojiu, Tianjin Maidian Restaurant Management Co., Ltd., Pin Xin Yue Gu, Hainan Jiujiuhong, Cong Xin and Mi Liang Ren Liang;
- (ii) in 2017, tax losses of RMB4.8 million incurred by Tianjin Jiumaojiu, Pin Xin Yue Gu, Hainan Jiujiuhong and Cong Xin;

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- (iii) in 2018, tax losses of RMB6.6 million incurred by Tianjin Maidian Restaurant Management Co., Ltd., Pin Xin Yue Gu, Tai Er Trading, Hainan Jiujiuhong, Cong Xin and Mi Liang Ren Liang; and
- (iv) for the six months ended June 30, 2019, tax losses of RMB1.9 million incurred by Pin Xin Yue Gu, Tai Er Trading, Hainan Jiujiuhong, Cong Xin, Mi Liang Ren Liang, Jinkai Catering, Zhongxin Catering and Fang Xing Wei Ai, of which RMB0.5 million was offset by taxable income of RMB1.9 million generated by Tianjin Jiumaojiu and Wuhan Jiumaojiu for the same period.

The increase in our tax losses during the Track Record Period was primarily due to investment costs, such as upfront costs incurred in establishing new restaurants and subsidiaries for the management and operation of brands and restaurants, most of which are still at the ramp-up stage.

Rental deposits

We normally paid rental deposits equivalent to two to three months' rents when we opened a new restaurant. Non-current portion of rental deposits increased significantly by 45.4% from RMB17.8 million in 2016 to RMB25.9 million in 2017, further increased by 69.5% to RMB43.9 million in 2018, and decreased slightly by 1.3% to RMB43.4 million as of June 30, 2019 in relation to the expansion our restaurant network.

Accumulated losses at the beginning of the Track Record Period

We had accumulated losses of approximately RMB55.6 million as of January 1, 2016, primarily due to our retrospective adoption of IFRS 16 throughout the Track Record Period. Under IFRS 16, after the initial recognition of right-of-use assets, lease liabilities and provisions for restoration costs, we, as a lessee, were required to recognize (i) depreciation of right-of-use assets, (ii) interest expenses accrued on the outstanding balance of the lease liabilities and (iii) interest expenses accrued on the outstanding balance of provisions for restoration costs accordingly, instead of recognizing rental expenses incurred under operating leases on a straight-line basis over the lease term in accordance with IAS 17. The total amount of depreciation of right-of-use assets, interest expenses accrued on the outstanding balances of lease liabilities and interest expenses accrued on the outstanding balances of provisions for restoration costs was higher in the early periods and lower in the later periods of each lease. The front-loaded lease expenses recognition pattern resulted in the recognition of additional cumulative lease expenses of RMB70.3 million in aggregate to the opening balance of retained profits as of January 1, 2016. In addition, we conducted impairment tests for right-of-use assets of underperformed Jiu Mao Jiu restaurants and recognized impairment losses of right-of-use assets of RMB21.7 million to the opening balance of retained profits as of January 1, 2016. We would have had retained profits of RMB36.4 million at the beginning of the Track Record Period if the effect of the retrospective adoption of IFRS 16 was removed.

We recorded retained earnings during the Track Record Period primarily due to (i) the closing down of underperformed restaurants and (ii) our business expansion, especially the expansion of the restaurant network of Tai Er.

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LIQUIDITY AND CAPITAL RESOURCES

Overview

To date, we have financed our operations primarily through cash from operations. As of June 30, 2019, we had RMB125.8 million in cash and cash equivalents, substantially all of which were denominated in Renminbi. Our cash and cash equivalents primarily consist of cash on hand and cash at bank. The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
	<i>(unaudited)</i>				
Net cash generated from operating activities	261,699	313,898	372,563	194,530	290,835
Net cash used in investing activities	(98,732)	(90,008)	(151,730)	(51,750)	(64,306)
Net cash used in financing activities	(157,513)	(204,596)	(213,503)	(121,522)	(160,515)
Net increase in cash and cash equivalents	5,454	19,294	7,330	21,258	66,014
Cash and cash equivalents at the beginning of the year/period	27,674	33,128	52,422	52,422	59,752
Cash and cash equivalents at the end of the year/period	<u>33,128</u>	<u>52,422</u>	<u>59,752</u>	<u>73,680</u>	<u>125,766</u>

Operating Activities

For the six months ended June 30, 2019, our net cash generated from operating activities of RMB290.8 million was primarily attributable to our profit before tax of RMB138.5 million, as adjusted for non-cash and non-operating items of RMB187.1 million and changes in working capital of RMB(7.1) million and aggregated income tax paid of RMB27.7 million. Adjustments for non-cash and non-operating items primarily included (i) depreciation of right-of-use assets and property, plant and equipment of RMB153.1 million and (ii) finance costs of RMB29.1 million. Changes in working capital primarily reflected: (i) an increase in trade and other payables and accruals of RMB34.7 million resulting from more payables incurred due to the increase in purchase of food ingredients and recruitment of new employees following the expansion of our restaurant network, partially offset by (ii) an increase in inventories of RMB7.9 million as a result of our business expansion and (iii) an increase in trade and other receivables of RMB33.8 million as more customers paid us through payment platforms, such as Alipay or WeChat Pay.

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In 2018, our net cash generated from operating activities of RMB372.6 million was primarily attributable to our profit before taxation of RMB104.4 million, as adjusted for non-cash and non-operating items of RMB308.7 million and changes in working capital of RMB(0.5) million and aggregated income tax paid of RMB40.0 million. Adjustments for non-cash and non-operating items primarily included (i) depreciation of right-of-use assets and property, plant and equipment of RMB235.0 million and (ii) finance costs of RMB58.3 million. Changes in working capital primarily reflected: (i) an increase in trade and other payables of RMB52.7 million in relation to purchase of restaurant renovation materials, purchase of food ingredients and recruitment of new employees following the expansion of our restaurant network, partially offset by (ii) an increase in inventories of RMB3.4 million and (iii) an increase in trade and other receivables of RMB49.7 million in relation to our business expansion.

In 2017, our net cash generated from operating activities of RMB313.9 million was primarily attributable to our profit before taxation of RMB99.5 million, as adjusted for non-cash and non-operating items of RMB265.9 million and changes in working capital of RMB(17.9) million and aggregated income tax paid of RMB33.6 million. Adjustments for non-cash and non-operating items primarily included (i) depreciation of right-of-use assets and property, plant and equipment of RMB203.6 million and (ii) finance costs of RMB51.8 million. Changes in working capital primarily reflected: (i) an increase in trade and other payables of RMB12.9 million, due to the increase in purchase of food ingredients and recruitment of new employees following the expansion of our restaurant network, partially offset by (ii) an increase in inventories of RMB12.6 million and (iii) an increase in trade and other receivables of RMB18.1 million in relation to our business expansion.

In 2016, our net cash generated from operating activities of RMB261.7 million was primarily attributable to our profit before tax of RMB75.7 million, as adjusted for non-cash and non-operating items of RMB233.7 million and changes in working capital of RMB(24.0) million and aggregated income tax paid of RMB23.7 million. Adjustments for non-cash and non-operating items primarily included (i) depreciation of right-of-use assets and property, plant and equipment of RMB173.8 million and (ii) finance costs of RMB49.5 million. Changes in working capital primarily reflected: (i) an increase in trade and other payables of RMB18.2 million resulting from the increase in purchase of food ingredients and recruitment of new employees following the expansion of our restaurant network, partially offset by (ii) an increase in inventories of RMB5.7 million and (iii) an increase in trade and other receivables of RMB36.6 million in relation to a tax reform, according to which we paid value-added tax instead of business tax since May 2016, resulting in the increase of input value-added tax to be deducted.

Investing Activities

Our net cash used in investing activities amounted to RMB98.7 million, RMB90.0 million, RMB151.7 million and RMB64.3 million in 2016, 2017 and 2018 and the six months ended June 30, 2019, primarily attributable to payments for purchases of property, plant and equipment of RMB88.7 million, RMB74.9 million, RMB149.8 million and RMB61.0 million, respectively.

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Financing Activities

Our net cash used in financing activities of RMB160.5 million for the six months ended June 30, 2019 was primarily attributable to (i) repayments of bank loans in the amount of RMB33.9 million, (ii) payments of capital element and interest element of lease liabilities of RMB136.1 million and (iii) proceeds from bank loans of RMB36.7 million.

Our net cash used in financing activities of RMB213.5 million in 2018 was primarily attributable to (i) repayments of bank loans in the amount of RMB44.3 million, (ii) payments of capital element and interest element of lease liabilities of RMB185.0 million, (iii) dividend paid of RMB24.8 million and (iv) acquisition of shares for the non-controlling interests of subsidiaries resulting from the acquisition of 10% equity interest in Tai Er Catering from minority shareholders of Tai Er Catering; partially offset by proceeds from bank loans of RMB73.4 million.

Our net cash used in financing activities of RMB204.6 million in 2017 was primarily attributable to (i) repayments of bank loans in the amount of RMB43.1 million, (ii) payments of capital element and interest element of lease liabilities of RMB171.2 million, and (iii) dividend paid of RMB20.0 million; partially offset by proceeds from bank loans of RMB24.2 million.

Our net cash used in financing activities of RMB157.5 million in 2016 was primarily attributable to (i) repayments of bank loans in the amount of RMB53.6 million, (ii) payments of capital element and interest element of lease liabilities of RMB143.3 million, and (iii) dividend paid of RMB9.0 million; partially offset by proceeds from bank loans of RMB48.4 million.

COMMITMENTS

Capital Commitments

Our capital commitments outstanding at December 31, 2016, 2017 and 2018 and June 30, 2019 not provided for in the financial statements were as follows:

	<u>As of December 31,</u>			<u>As of</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>June 30,</u>
	<u>(RMB in thousands)</u>			<u>2019</u>
Capital commitments.	<u>38,916</u>	<u>30,376</u>	<u>66,537</u>	<u>58,505</u>

CAPITAL EXPENDITURES

Our capital expenditure, which referred to the payment for purchases of property, plant and equipment, primarily used to open new restaurants, procure property, plant and equipment for new restaurants, renovate existing restaurants and purchase furniture and equipment used in our restaurant operations. Our total capital expenditure decreased by RMB13.8 million, or 15.6%, from RMB88.7 million in 2016 to RMB74.9 million in 2017, and further increased by RMB74.9 million, or 100.0%, to RMB149.8 million in 2018. Our capital expenditure for the six months ended June 30, 2019 amounted to RMB61.0 million. Our significant capital expenditure during these periods was a result of our rapid expansion during the Track Record Period.

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For the year ending December 31, 2019, our estimated total capital expenditure is expected to be approximately RMB157.5 million, primarily relating to new restaurant openings and refurbishment of existing restaurants and central kitchens. We plan to finance our future capital expenditures through cash generated from our operations, bank borrowings and proceeds from the Global Offering. Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition.

WORKING CAPITAL

The table below sets forth the details of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2016	2017	2018	June 30, 2019	October 31, 2019
	(RMB in thousands)				<i>(unaudited)</i>
Current Assets					
Inventories	20,420	33,026	36,387	44,246	47,903
Trade and other receivables	85,055	96,063	124,476	158,434	170,297
Restricted bank deposits . .	4,005	1,605	6,003	8,019	6,019
Cash and cash equivalents	33,128	52,422	59,752	125,766	145,255
Total current assets	<u>142,608</u>	<u>183,116</u>	<u>226,618</u>	<u>336,465</u>	<u>369,474</u>
Current Liabilities					
Trade and other payables .	138,639	150,112	234,195	410,827	411,053
Contract liabilities	1,098	986	856	736	208
Lease liabilities	103,321	111,698	143,588	165,794	167,122
Bank loans	38,904	20,000	49,104	51,874	19,294
Current taxation	6,413	7,667	12,313	26,371	18,966
Total current liabilities . .	<u>288,375</u>	<u>290,463</u>	<u>440,056</u>	<u>655,602</u>	<u>616,643</u>
Net Current Liabilities . . .	<u>(145,767)</u>	<u>(107,347)</u>	<u>(213,438)</u>	<u>(319,137)</u>	<u>(247,169)</u>

We recorded net current liabilities during the Track Record Period and up to October 31, 2019, mainly due to (i) the retrospective adoption of IFRS 16 during the Track Record Period, which led to a significant balance of current lease liabilities as of December 31, 2016, 2017 and 2018 and June 30, 2019 and October 31, 2019; (ii) the increase in our trade and other payables resulting from increasing purchases of renovation materials and food ingredients and recruitment of employees as we opened more restaurants, as well as considerations payable of RMB180.0 million recognized for the six months ended June 30, 2019 in connection with the acquisition of Guangzhou Jiumaojiu by JMJ Holdings as part of the Reorganization.

Our net current liabilities decreased by 22.6% from RMB319.1 million as of June 30, 2019 to RMB247.2 million as of October 31, 2019, primarily due to (i) our business growth, which led to an increase in inventories of RMB3.7 million, an increase in trade and other receivables of RMB11.9 million and an increase in cash and cash equivalent of RMB19.5 million and (ii) a decrease in bank loans of RMB32.6 million as we repaid certain of our bank loans during the four months ended October 31, 2019.

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Our net current liabilities increased by 49.5% from RMB213.4 million as of December 31, 2018 to RMB319.1 million as of June 30, 2019, primarily due to (i) considerations payable of RMB180.0 million recognized for the six months ended June 30, 2019 in connection with the acquisition of Guangzhou Jiumaojiu by JMJ Holdings as part of the Reorganization and (ii) an increase in our lease liabilities of RMB22.2 million, resulting from our restaurant network expansion, partially offset by (iii) an increase in our current assets due to our business growth, including an increase in inventories of RMB7.8 million, an increase in trade and other receivables of RMB40.0 million and an increase in cash and cash equivalent of RMB66.0 million.

Our net current liabilities increased by 98.8% from RMB107.3 million as of December 31, 2017 to RMB213.4 million as of December 31, 2018, primarily due to (i) an increase in trade and other payables of RMB84.1 million, resulting from our business growth and a dividend payable of RMB30.0 million, (ii) an increase in our lease liabilities of RMB31.9 million, as a result of our restaurant network expansion and (iii) an increase in bank loans of RMB29.1 million, partially offset by (iv) an increase in our current assets due to our business growth, including an increase in inventories of RMB3.4 million, an increase in trade and other receivables of RMB28.4 million and an increase in cash and cash equivalent of RMB7.3 million.

Our net current liabilities decreased by 26.4% from RMB145.8 million as of December 31, 2016 to RMB107.3 million as of December 31, 2017, primarily due to (i) our business growth, which led to an increase in inventories of RMB12.6 million, an increase in trade and other receivables of RMB11.0 million and an increase in cash and cash equivalent of RMB19.3 million and (ii) a decrease in bank loans of RMB18.9 million as we repaid certain of our bank loans in 2017, partially offset by (iii) an increase in trade and other payables of RMB11.5 million in relation to our business growth.

Working Capital Sufficiency Statement

Our net current liabilities during the Track Record Period and up to October 31, 2019 were mainly attributable to (i) lease liabilities recognized in accordance with IFRS 16, (ii) considerations payable arising from the Reorganization and (iii) capital expenditures incurred in our expansion of restaurant network. We believe that our net current liabilities position will be improved as newly opened restaurants start to make profits.

The increase in our net current liabilities during the Track Record Period was mainly due to (i) the increase in our trade and other payables resulting from increasing purchases of renovation materials and food ingredients and the recruitment of new employees as we opened more restaurants, as well as considerations payable of RMB180.0 million recognized for the six months ended June 30, 2019 in connection with the acquisition of Guangzhou Jiumaojiu by JMJ Holdings as part of the Reorganization, and (ii) the increase in our current lease liabilities recognized in accordance with IFRS 16 in relation to the expansion of our restaurant network. For details of risk associated with net current liabilities, see “Risk Factors — Risks Relating to Our Business — Our net current liabilities may expose us to certain liquidity risks and could restrain our operation flexibility as well as affect our ability to expand our business.”

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Taking into consideration the financial resources presently available to us, including cash on hand and cash at banks, the available banking facilities, expected cash generated from our operations and the estimated net proceeds from the Global Offering, our Directors and our Sole Sponsor are of the view that we have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this prospectus. As such, we believe that our business operation and financial condition will not be materially and adversely affected by our net current liabilities position.

Improvement measures

To improve our net current liabilities position and ensure working capital sufficiency, we have taken and/or will take the following measures:

- (i) continue to improve our operating cash flow through business expansion: Our net cash generated from operating activities amounted to RMB261.7 million, RMB313.9 million, RMB372.6 million and RMB290.8 million in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively. We expect our net cash generated from operating activities in 2019 to increase significantly, as we opened 76 new restaurants in 2018, compared with 41 in 2017. 37 of the restaurants opened in 2018 were under Tai Er, which had a higher operating profit margin compared with our other brands. Our current assets are expected to increase as a result; and
- (ii) settle the consideration payables arising from the Reorganization with a syndicated loan facility, which is to be repaid using net proceeds from the Global Offering.

INDEBTEDNESS

Bank Loans

As of December 31, 2016, 2017 and 2018 and June 30, 2019 and October 31, 2019, being the latest practicable date for the purpose of determining our indebtedness, all of our bank loans were repayable within one year or on demand and were secured or guaranteed. As of December 31, 2016, 2017 and 2018 and June 30, 2019 and October 31, 2019, banking facilities of the Group totaling RMB70.9 million, RMB98.0 million, RMB87.0 million, RMB122.0 million and RMB80.0 million were utilized to the extent of RMB38.9 million, RMB20.0 million, RMB49.1 million, RMB52.0 million and RMB19.6 million, respectively.

All secured bank loans and above banking facilities as of December 31, 2016, 2017 and 2018 and June 30, 2019 were secured by the Group's bank deposits and certain properties owned by Mr. Guan, and were guaranteed by Mr. Guan or jointly guaranteed by Mr. Guan and other related parties, and all bank loans and above banking facilities as of October 31, 2019 were guaranteed by Mr. Guan, which will be released or replaced by corporate guarantee or collateral security provided by the Group upon Listing. Our Directors confirm that all the non-trade amounts due to or from, and loans or guarantees provided by or to our related parties, if any, will be fully repaid or released upon Listing.

Bank loans amounted to approximately RMB7.9 million, RMB10.0 million, RMB15.0 million, nil and nil as of December 31, 2016, 2017 and 2018 and June 30, 2019 and October 31, 2019 are subject to the fulfilment of covenants relating to certain of the Group's or the subsidiaries' financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would

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become payable on demand. The Group regularly monitors its compliance with these covenants. As of December 31, 2016, 2017 and 2018 and June 30, 2019 and October 31, 2019, none of the covenants relating to drawn down loans or facilities had been breached.

As of December 31, 2016, fixed-rate bank loans of RMB38.9 million carried interest rate at 4.79% to 6.96% per annum. As of December 31, 2017, fixed-rate bank loans of RMB20.0 million carried interest rate at 4.79% to 6.09% per annum. As of December 31, 2018, fixed-rate bank loans of RMB45.0 million carried interest rate at 4.79% to 5.00% per annum, and variable-rate bank loans of RMB4.1 million carried interest rate at 4.35% per annum. As of June 30, 2019, fixed-rate bank loans of RMB46.9 million carried interest rate at 4.35% to 6.31% per annum, and variable-rate bank loans of RMB5.0 million carried interest rate at 4.35% per annum. As of October 31, 2019, fix-rate bank loans of RMB19.3 million carried interest rate at 4.35% per annum.

Our Directors confirm that there were no material defaults in payment of our liabilities, and/or breaches of finance covenants during the Track Record Period and up to October 31, 2019.

Lease Liabilities

The following table shows the remaining contractual maturities of our lease liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2016	2017	2018	June 30, 2019	October 31, 2019
	(RMB in thousands)				
					<i>(unaudited)</i>
Within 1 year	151,452	169,303	198,318	220,838	261,912
After 1 year but within 2 years	142,377	160,292	196,810	220,947	229,684
After 2 years but within 5					
years	276,633	292,242	332,377	370,214	371,478
After 5 years	72,392	70,694	52,606	48,797	46,629
	<u>642,854</u>	<u>692,531</u>	<u>780,111</u>	<u>860,796</u>	<u>909,703</u>
Less: total future interest					
expenses	<u>141,068</u>	<u>152,452</u>	<u>114,427</u>	<u>112,249</u>	<u>119,085</u>
Present value of lease					
liabilities	<u>501,786</u>	<u>540,079</u>	<u>665,684</u>	<u>748,547</u>	<u>790,618</u>
Lease liabilities included in the					
statement of financial					
position					
Within 1 year	103,321	111,698	143,588	165,794	227,331
After 1 year but within 2 years	113,590	132,517	168,923	194,522	194,117
After 2 years but within 5					
years	235,133	260,768	308,369	341,957	328,730
After 5 years	49,742	35,096	44,804	46,274	40,440
	<u>501,786</u>	<u>540,079</u>	<u>665,684</u>	<u>748,547</u>	<u>790,618</u>

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CONTINGENT LIABILITIES

As of October 31, 2019, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that was likely to have a material and adverse effect on our business, financial condition or results of operations.

MAJOR FINANCIAL RATIOS

The following table set forth our key financial ratios as of the date or for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	Net profit margin ¹	4.4%	4.9%	3.9%	6.2%
Operating profit margin ²	16.8%	17.1%	16.8%	18.4%	19.5%
Jiu Mao Jiu	16.2%	16.6%	17.3%	18.0%	18.1%
Tai Er	30.1%	22.3%	18.0%	22.5%	23.3%
Adjusted net profit margin ³	4.7%	5.1%	4.2%	6.4%	9.4%
Return on average equity ⁴	41.7%	40.4%	36.0%	—	121.6% ⁹
Return on average assets ⁵	6.4%	8.0%	6.9%	—	16.0% ⁹
					As of
					June 30,
					2019
Current ratio ⁶	0.49	0.63	0.51		0.51
Quick ratio ⁷	0.42	0.52	0.43		0.45
Gearing ratio ⁸	26.4%	9.7%	24.1%		37.9%

Notes:

1. Net profit margin equals profit for the year/period divided by revenue and multiplied by 100%.
2. Operating profit margin equals operating profit divided by revenue and multiple by 100%.
3. Adjusted net profit margin equals adjusted net profit divided by revenue and multiplied by 100%.
4. Return on average equity equals profit for the year/period divided by average balance of total equity at the beginning and the end of that year/period and multiplied by 100%.
5. Return on average assets profit for the year/period divided by average balance of total assets at the beginning and the end of that year/period and multiplied by 100%.
6. Current ratio equals current assets divided by current liabilities as of the respective date.
7. Quick ratio equals current assets less inventories and divided by current liabilities as of the same date.

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8. Gearing ratio equals interest-bearing bank loans divided by total equity and multiplied by 100%.
9. These ratios are annualized by dividing profit for the six months ended June 30, 2019 by 180 and multiplied by 365, then divided by average assets or average equity, as applicable.

Operating Profit Margin

Our overall operating profit margin depends on the profitability of each brand, especially our two leading brands, namely Jiu Mao Jiu and Tai Er. During the Track Record Period, our overall operating profit margin amounted to 16.8%, 17.1%, 16.8%, 18.4% and 19.5% for the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2018 and 2019.

The operating profit margin of Jiu Mao Jiu increased slightly from 16.2% in 2016 to 16.6% in 2017, and further to 17.3% in 2018 because we continued to optimize the business model of Jiu Mao Jiu to improve operational efficiency. The operating profit margin of Jiu Mao Jiu remained relatively stable at 18.0% and 18.1% for the six months ended June 30, 2018 and 2019, respectively.

The operating profit margin of Tai Er increased from 22.5% for the six months ended June 30, 2018 to 23.3% for the six month ended June 30, 2019, primarily because (i) we completed the recruitment of personnel in the management team of Tai Er which led to lower staff costs for Tai Er as a percentage of revenue and (ii) a decrease in utilities expenses for Tai Er as a percentage of revenue due to the increasing revenue contribution from our Tai Er restaurants, the utilities expenses of which were lower than Jiu Mao Jiu, partially offset by (iii) an increase in raw materials and consumables used for Tai Er because of the price fluctuations of bass which is a major ingredient of Tai Er.

The operating profit margin of Tai Er decreased from 22.3% in 2017 to 18.0% in 2018, primarily due to (i) an increase in costs of raw materials and consumables used for Tai Er because of the price fluctuations of bass in the second half of 2018, (ii) an increase in staff costs for Tai Er as we continued to recruit and retain additional personnel in the management team of Tai Er and restaurant staff in preparation for new Tai Er restaurants and (iii) an increase in depreciation of right-of-use assets as well as other rentals and related expenses for Tai Er because many of our newly opened Tai Er restaurants were located in favorable sites in popular shopping malls in 2018.

The operating profit margin of Tai Er decreased significantly from 30.1% in 2016 to 22.3% in 2017, primarily due to (i) a significant increase of bass price resulting from the popularity of sauerkraut fish restaurants started from 2017, (ii) an increase in staff costs for Tai Er as we started to recruit personnel in the management team of Tai Er in 2017 to prepare for new Tai Er restaurants and (iii) an increase in depreciation of right-of-use assets as the Tai Er restaurants opened in its early stage were generally located in less favorable sites with lower rents.

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Adjusted Net Profit Margin

Our adjusted net profit margin increased from 6.4% for the six months ended June 30, 2018 to 9.4% for the six months ended June 30, 2019, primarily because we opened 26 Tai Er restaurants during the six months ended June 30, 2019, which had the highest operating profit margin among all our brands.

Our adjusted net profit margin decreased from 5.1% in 2017 to 4.2% in 2018, primarily due to (i) an increase in other rentals and related expenses as we paid more variable rents to lessors in relation to the increase in the number of our Tai Er restaurants, most of which are under variable rent arrangements and (ii) more upfront costs incurred to expand our restaurant network which led to an increase in our other expenses.

Our adjusted net profit margin increased from 4.7% in 2016 to 5.1% in 2017, primarily due to (i) a decrease in staff costs as a percentage of revenue because we launched our central kitchen in Foshan in 2016 to centralize our food processing to enhance efficiency and (ii) a decrease in utilities expenses as a percentage of revenue as a result of the increasing revenue contribution from our Tai Er restaurants, the utilities expenses of which were lower than Jiu Mao Jiu.

Return on Average Equity

Our return on average equity increased from 36.0% in 2018 to 121.6% for the six months ended June 30, 2019 (based on annualized profit), primarily due to (i) the increase in our annualized profit for the six months ended June 30, 2019 compared with profit for the year in 2018 and (ii) the decrease in equity of RMB180.0 million for the six months ended June 30, 2019 in relation to the Reorganization.

Our return on average equity decreased from 40.4% in 2017 to 36.0% in 2018, mainly due to the continuously increase in our equity resulting from our business growth, partially offset by the dividends declared of RMB20.0 million and RMB54.8 million in 2017 and 2018, respectively, while our net profit increased slightly by 3.1% from 2017 to 2018, which resulted from the inventories losses of RMB22.1 million recorded in 2018.

Our return on average equity remained relatively stable at 41.7% in 2016 and 40.4% in 2017.

Return on Average Assets

Our return on average assets increased from 6.9% in 2018 to 16.0% for the six months ended June 30, 2019 (based on annualized profit), primarily due to the increase in our annualized profit for the six months ended June 30, 2019 compared with profit for the year in 2018, and partially offset by the increase in our average assets for the six months ended June 30, 2019, which was mainly due to the increase in right-of-use assets resulting from our restaurant expansion.

Our return on average assets decreased from 8.0% in 2017 to 6.9% in 2018, mainly because we opened a large number of self-operated restaurants in 2018, which led to a significant increase in our right-of-use assets.

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Our return on average assets increased from 6.4% in 2016 to 8.0% in 2017, primarily because our profit for the year in 2017 increased by RMB20.3 million, partially offset by the increase in our assets in relation to the expansion of our restaurant network .

Current Ratio

Our current ratio remained relatively stable at 0.51 as of December 31, 2018 and June 30, 2019.

Our current ratio decreased from 0.63 as of December 31, 2017 to 0.51 as of December 31, 2018, primarily due to the increase in dividends payable of RMB30.0 million in 2018 which led to an increase in our current liabilities.

Our current ratio increased from 0.49 as of December 31, 2016 to 0.63 as of December 31, 2017, primarily due to (i) a decrease in our bank loans as we prepaid part of them, (ii) an increase in our inventories as we purchased more frozen meat and (iii) an increase in our trade debtors as our customer turned to pay us through payment platforms (instead of cash) such as Alipay or WeChat Pay from which receivables were normally settled within one day.

Quick Ratio

Our quick ratio remained relatively stable at 0.43 as of December 31, 2018 and 0.45 as of June 30, 2019.

Our quick ratio decreased from 0.52 as of December 31, 2017 to 0.43 as of December 31, 2018, primarily due to the increase in dividends payable of RMB30.0 million in 2018 which led to an increase in our current liabilities.

Our quick ratio increased from 0.42 as of December 31, 2016 to 0.52 as of December 31, 2017, primarily due to (i) the prepayments of part of our bank loans; (ii) an increase in our working capital in relation to the growth of our operations and (iii) an increase in our trade debtors as our customer turned to pay us through payment platforms such as Alipay or WeChat Pay.

Gearing Ratio

Our gearing ratio increased from 24.1% as of December 31, 2018 to 37.9% as of June 30, 2019, primarily due to the RMB180.0 million decrease in equity for the six months ended June 30, 2019 in relation to the Reorganization.

Our gearing ratio increased from 9.7% as of December 31, 2017 to 24.1% as of December 31, 2018, primarily due to the increase in interest-bearing bank loan balance as of December 31, 2018 compared with December 31, 2017.

Our gearing ratio decreased from 26.4% as of December 31, 2016 to 9.7% as of December 31, 2017, primarily due to (i) the repayments of our bank loans in 2017, which led to a lower interest-bearing bank loan balance as of December 31, 2017, and (ii) an increase in our total equity as our profit increased.

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OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

RELATED PARTY TRANSACTIONS

For a discussion of related party transactions, see note 29 to the Accountants' Report set forth in Appendix I.

The transactions as set out in note 29 to the Accountants' Report will also constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For details, see "Connected Transactions."

Our Directors believe that the related party transactions were carried out on an arm's length basis and will not distort our results during the Track Record Period or make such results not reflective of our future performance.

NO OTHER OUTSTANDING INDEBTEDNESS

Save as disclosed in this prospectus, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of October 31, 2019, being our indebtedness statement date. Our Directors confirm that, as of the Latest Practicable Date, there is no material change in the Company's indebtedness since October 31, 2019.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks including credit, liquidity, interest rate and currency risks in the normal course of our business. For details of the risks we are exposed to, see note 27 to the Accountants' Report set forth in Appendix I.

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LISTING EXPENSES

The total estimated listing expenses are approximately HK\$117.5 million based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised (or approximately HK\$36.8 million after excluding underwriting commissions of approximately HK\$80.7 million), of which HK\$11.0 million was charged to our consolidated statements of profit or loss and other comprehensive income for the six months ended June 30, 2019. We estimate that the total listing expenses in the amount of HK\$28.5 million will be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending December 31, 2019. The balance of approximately HK\$89.0 million is expected to be capitalized.

DIVIDENDS

Under the Articles of Association, our Company in general meetings may declare dividends in any currency to be paid to our Shareholders, provided that no dividend shall exceed the amount recommended by our Directors. In addition, our Directors may from time to time pay to our Shareholders such interim dividends as appeared to our Directors to be justified by the profits of our Company. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws and regulations require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require a foreign-invested enterprise to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

On September 24, 2019, the Board declared dividends of approximately RMB50.6 million to the Shareholders. Dividends of RMB9.0 million, RMB20.0 million, approximately RMB54.8 million, approximately RMB24.8 million (unaudited) and nil were declared by Guangzhou Jiumaojiu during the years ended December 31, 2016, 2017, and 2018 and the six months ended June 30, 2018 and 2019, respectively. Dividends declared in the past are not indicative of our future dividend policy. All the dividends declared have been/will be settled before Listing. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has the absolute discretion to recommend any dividend. We do not have any pre-determined dividend pay-out ratio.

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DISTRIBUTABLE RESERVES

As of June 30, 2019, the Company did not have any distributable reserves.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of us since June 30, 2019, and there is no event since June 30, 2019 which would materially affect the information shown in the Accountants' Report set forth in Appendix I.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to equity shareholders of the Company as if the Global Offering had been completed on June 30, 2019.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group attributable to equity shareholders of the Company had the Global Offering been completed as at June 30, 2019 or any future date.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of June 30, 2019	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share	
	RMB'000 ⁽¹⁾	RMB'000 ⁽²⁾⁽⁴⁾	RMB'000	RMB ⁽³⁾	HK\$ ⁽⁴⁾
Based on an Offer Price of HK\$5.50 per share	104,967	1,557,439	1,662,406	1.25	1.39
Based on an Offer Price of HK\$6.60 per share	104,967	1,873,566	1,978,533	1.48	1.65

Notes:

- The consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at June 30, 2019 is calculated based on the consolidated net assets attributable to shareholders of the Company of RMB108,325,000 as at June 30, 2019, less intangible assets of RMB3,358,000 as at the date, as extracted from the financial information included in the Accountants' Report set out in Appendix I to the prospectus.
- The estimated net proceeds from the Global Offering are based on the estimated Offer Prices of HK\$5.50 per share and HK\$6.60 per share, being the lower end price and higher end price of the indicative Offer Price range respectively, after deduction of the estimated underwriting fees and other related expenses related to Global Offering (excluding approximately RMB9,850,000 listing expenses which has been charged to profit or loss up to June 30, 2019) and the issuance of 333,400,000 shares, takes no account of any shares that may be issued upon exercise of the Over-allotment Option or any options which may be granted under the Shares Option Scheme, and excluding any shares which may be issued or repurchased by the Company pursuant to the general mandates. The estimated net proceeds from the Global Offering is converted into RMB at an exchange rate of HK\$1.1137 to RMB1.

FINANCIAL INFORMATION

3. The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share is arrived at after the adjustments for the estimated net proceeds from the Global Offering as described in note (2) and on the basis that a total of 1,333,400,000 shares were in issue assuming that the Global Offering was completed on June 30, 2019, but takes no account of any shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Shares Option Scheme, and excluding any shares which may be issued or repurchased by the Company pursuant to the general mandates.
4. The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share is converted into Hong Kong dollars at an exchange rate of RMB1 to HK\$1.1137. No representation is made that RMB amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.
5. The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company does not take into account a dividend of RMB50,625,000 declared on September 24, 2019. Such dividends will be paid in full before Listing. Had such dividends been taken into account, the unaudited pro forma net tangible assets attributable to equity shareholders of the Company per share would be decreased to approximately RMB1.21 per share (equivalent to HK\$1.35 per share) and RMB1.45 per share (equivalent to HK\$1.61 per share), based on the lower end and higher end price of the indicative Offer Price range of HK\$5.50 per share and HK\$6.60 per share, respectively.
6. No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2019.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As of the Latest Practicable Date, our Directors confirmed that there are no circumstances that will give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO SIGNIFICANT INTERRUPTIONS

Our Directors confirmed that there have been no interpretations in our business that may have a material adverse effect on our financial position and results of operations in the 12 months period prior to the Latest Practicable Date.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our Growth Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds from the Global Offering, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, will be in the amounts set out below:

- (i) Approximately HK\$1,734.5 million, if the Over-allotment Option is not exercised, or approximately HK\$1,998.6 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK\$5.50 per Share, being the low-end of the indicative Offer Price range;
- (ii) Approximately HK\$1,910.6 million, if the Over-allotment Option is not exercised, or approximately HK\$2,201.0 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK\$6.05 per Share, being the mid-point of the indicative Offer Price range; or
- (iii) Approximately HK\$2,086.6 million, if the Over-allotment Option is not exercised, or approximately HK\$2,403.5 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK\$6.60 per Share, being the high-end of the indicative Offer Price range.

We intend to apply the net proceeds from the Global Offering for the purposes and in the amounts set out below, assuming the Over-allotment Option is not exercised and an Offer Price of HK\$6.05 per Share (being the mid-point of the indicative Offer Price range):

- (i) approximately 72.0% of our total estimated net proceeds, or HK\$1,375.6 million, will be used to expand our restaurant network. In particular, we intend to allocate:
 - approximately 9.0% of our total estimated net proceeds, or HK\$171.9 million, to be used for opening 18 and 20 Jiu Mao Jiu restaurants in 2020 and 2021, respectively, to further penetrate our existing markets. According to Frost & Sullivan, there were over 0.2 million restaurants in the full-service northwestern Chinese cuisine market in China in 2018, and the total revenue of the market is expected to increase from RMB168.2 billion in 2018 to RMB222.5 billion in 2021. According to Frost & Sullivan, full-service northwestern Chinese cuisine has become widely accepted in China. Full-service northwestern Chinese cuisine, adopting natural and healthy ingredients as well as simple cooking methods which can preserve the nutrients of food, is popular in major cities where people are more health-conscious. In light of the considerable scale and the growth potential of the full-service northwestern Chinese cuisine market in China, our Directors believe that there will be sufficient market demand to support the opening of 38 Jiu Mao Jiu restaurants in 2020 and 2021. Leveraging on (i) our established supply network, comprising our own central kitchens and third-party supply centers, to support efficient expansion and ensure the consistency of food taste and quality, (ii) the high brand recognition of Jiu Mao Jiu built over the past two decades and our familiarity with the local markets gained from our

FUTURE PLANS AND USE OF PROCEEDS

extensive experience in operating Jiu Mao Jiu restaurants in Southern China, and (iii) the sophisticated brand team of Jiu Mao Jiu who continuously research on market trends and customer preferences, our Directors believe that Jiu Mao Jiu is well positioned to capture the potential market demand. In particular, we plan to open Jiu Mao Jiu restaurants in newly selected locations primarily in Southern China over the next two years, and ten existing restaurants which are located in relatively old shopping malls and are relatively less efficient will be closed between 2020 and 2021 upon the expiry of the relevant lease term. The new Jiu Mao Jiu restaurants are expected to implement Jiu Mao Jiu's new business model we adopted in July 2019, which focuses on optimizing the food product portfolio and branding. We will reduce the total number of dishes to around 40 and enhance their level of standardization by gradually ceasing to offer dishes with low sales volume and complicated preparation procedures. The new business model is subject to further refinement and perfection to better cater to the evolving market trends.

- approximately 48.0% of our total estimated net proceeds, or HK\$917.1 million, to be used for opening 80 and 100 Tai Er restaurants in 2020 and 2021, respectively. Over the next two years, we plan to open Tai Er restaurants primarily in tier one cities, new tier one cities and provincial capitals. According to Frost & Sullivan, there has been a growing popularity of Sichuan cuisine in China. Chinese sauerkraut fish has a long history. It has become a classic and signature Sichuan dish since the mid-1980s after years of development and promotion. Among 0.9 million Sichuan cuisine restaurants in China, over 80% of them offer Chinese sauerkraut fish. According to Frost & Sullivan, Chinese sauerkraut fish was the fifth most popular cuisine in China in 2017. Reflected by its steady growth in the number of search hits on the internet over the years and the fact that it was the top searched Sichuan dish in China in 2018, Chinese sauerkraut fish has long been a popular dish among Chinese consumers. It has become a trend for restaurants to feature a single type of dish as the core dish, such as Chinese sauerkraut fish, in the catering service market in China. The Chinese sauerkraut fish restaurant market in China is expected to keep growing in the coming years. According to Frost & Sullivan, the total revenue of the Chinese sauerkraut fish restaurant market in China is forecasted to increase from RMB12.3 billion in 2018 to RMB32.2 billion in 2021 since consumers' preference towards Chinese sauerkraut fish is expected to persist in the future. The number of our Tai Er restaurants increased by over 22 times from four at the beginning of 2016 to 91 as of June 30, 2019. As of the Latest Practicable Date, the restaurant network of Tai Er covered 36 cities in China. Such rapid growth in the number of our Tai Er restaurants reflected the growth potential of the Chinese sauerkraut fish restaurant market in China. In addition, according to Frost & Sullivan, the number of Chinese sauerkraut fish restaurants in China is expected to increase from approximately 4,500 in 2018 to reach 9,700 by 2021. The opening of 180 new Tai Er restaurants in 2020 and 2021 accounts for only 4.0% of the total number of Chinese sauerkraut fish restaurants in China in 2018. Furthermore, according to Frost & Sullivan, there were approximately 5,800 shopping malls in China in 2018, and Tai Er had market presence in less than 2.0% of them. Meanwhile, it is expected that over 500 new shopping malls will be opened every year in China from 2019 to 2021. Benefiting from the rapid growth of shopping malls in China, Tai Er could

FUTURE PLANS AND USE OF PROCEEDS

expand its restaurant network and penetrate into more shopping malls over the next two years. Our Directors believe that there will be sufficient demand for Tai Er to open 180 new restaurants in 2020 and 2021.

Leveraging on (i) our established supply network, comprising our own central kitchens and third-party supply centers, to support efficient expansion and ensure the consistency of food taste and quality, (ii) the proven popularity of Tai Er among young customers and its rapidly increasing online influence through social media platforms, (iii) the sophisticated brand team of Tai Er and their continuous research on market trends and customer preferences, and (iv) our ability to swiftly respond to changing customer preferences by continuously developing new side dishes as well as improving and refining our core dish, our Directors believe that Tai Er is well positioned to capture the potential market demand. In particular, with a view to further increasing Tai Er's presence in tier one cities over the next two years, we plan to open six to ten Tai Er restaurants in each of the tier one cities each year. Further, based on our strategic expansion plan of developing a nationwide Tai Er restaurant network in the long run and taken into consideration Tai Er's influence in the existing markets, we have identified around 30 cities, most of which are new tier one cities and provincial capitals where we had no market presence or had opened only one to three Tai Er restaurants as of the Latest Practicable Date. We plan to open one to two more Tai Er restaurants in each of these cities each year over the next two years.

- approximately 10.0% of our total estimated net proceeds, or HK\$191.1 million, to be used for opening 24 and 36 restaurants of other brands, which include Double Eggs, Cooking Spicy Kebab and Uncle Chef, in 2020 and 2021, respectively, primarily in Southern China. According to Frost & Sullivan, Double Eggs and Cooking Spicy Kebab operate in the Chinese quick service restaurant market in China, the total revenue of which is expected to increase from RMB684.2 billion in 2018 to RMB925.6 billion in 2021. Uncle Chef operates in the Cantonese cuisine restaurant market in China, the total revenue of which is expected to increase from RMB280.6 billion in 2018 to RMB383.8 billion in 2021. Our Directors believe that there will be sufficient demand for our new restaurants of other brands. On the basis of (i) our extensive experience in operating restaurants gained over the past two decades and familiarity with the local markets in Southern China, (ii) the fact that the performance of our restaurants under other brands met the expectation of our management in that both self-operated Double Eggs and Cooking Spicy Kebab recorded restaurant-level operating profits for the six months ended June 30, 2019, and the one Uncle Chef restaurant, which was opened in June 2019, achieved breakeven in one month, and (iii) a dedicated brand team for each brand and their continuous efforts in the research on market trends and customer preferences, our Directors believe that we are well-positioned to capture the potential market demand.
- approximately 5.0% of our total estimated net proceeds, or HK\$95.5 million, to be used for our restaurants expansion and operation in 2022.

FUTURE PLANS AND USE OF PROCEEDS

Before deciding whether to open a new restaurant, we conducted thorough feasibility studies and comprehensive due diligence exercises covering a wide range of issues, including, amongst others, the overall market demand and regulatory environment. See “Business — Restaurant Operations — Development and Expansion Plans of Our Restaurant Network — Expansion Management.”

We have adopted, and will continue to adopt, the following strategies to avoid potential cannibalization among our existing restaurants and newly opened restaurants.

- We pursue a multi-brand and multi-concept strategy under which each of our brands has their own distinctive features and brand orientation. The risks of competition among existing and new restaurants are reduced given the target customer groups of our brands are different as well as the inherent needs of our customers to have multiple dining options.
- We select sites for our new restaurants with a disciplined approach. We consider a series of factors during site selection, including, amongst others, population density, demographic information and average disposable household income. We generally avoid opening restaurants under the same brand within the same commercial district to minimize the risk of cannibalization among our restaurants. For our Double Eggs restaurants operated under the franchise model, franchisees shall only open Double Eggs store at the location approved by us and stipulated in the franchise agreement. We generally do not allow more than one Double Eggs store to be opened within a radius of 500 meters to avoid potential competition among franchisees.

We have devised an expansion management plan in order to better manage the growth in our restaurant network. As we operate a highly standardized and scalable business model, we believe that we will be able to replicate our established managerial and operational procedures in new restaurants. We deploy at least one well-trained restaurant staff for each key operational function from our existing restaurants to the new restaurant to achieve an efficient transfer of our operational procedures and best practices to newly opened restaurants. See “Business — Restaurant Operations — Development and Expansion Plans of Our Restaurant Network — Expansion management.” Further, we provide training programs to ensure that the management personnel needed for our rapidly expanding restaurant network would be sufficient.

Based on the historical financial data of our restaurants of each brand in 2019, the average monthly restaurant-level operating cost per restaurant (including restaurant-level raw material and consumables used, staff costs, depreciation of right-of-use assets, other rentals and related expenses, depreciation and amortization of other assets, utilities expenses and delivery expenses) of Jiu Mao Jiu, Tai Er, Double Eggs (self-operated), Spicy Cooking Kebab and Uncle Chef is estimated to be approximately HK\$0.7 million, HK\$1.0 million, HK\$0.1 million, HK\$0.5 million and HK\$1.0 million, respectively. We expect our new restaurants to break even in the first full month of operation. The cash investment payback period is expected to be 22 months, seven months and 15 months for the new Jiu Mao Jiu, Tai Er and self-operated Double Eggs restaurants, respectively.

FUTURE PLANS AND USE OF PROCEEDS

- (ii) approximately 7.0% of our total estimated net proceeds, or HK\$133.7 million, will be used to further strengthen the supply and support capabilities for our restaurants and enhance our centralized procurement system. In particular, we intend to allocate:
- approximately 4.0% of our total estimated net proceeds, or HK\$76.4 million, to be used for opening one new central kitchen in Foshan by 2021. Our existing central kitchen in Guangdong has attained its full production capacity and there is no room to further increase its production capacity. Taking into account our restaurant network expansion plan, production capacity and current production volume, we expect the production capacity of our central kitchen in Guangdong will be sufficient to support our expansion until it is fully utilized by 2020. We plan to open a new central kitchen in Foshan to support our growing restaurant network in Southern China (excluding Hainan) with a designed production capacity of 11.7 million tons. In view of the considerable time needed for opening a new central kitchen, we have initiated our site selection process for the new central kitchen in Foshan. Our central kitchen in Hainan will support our restaurant network expansion in Hainan. Our central kitchen in Hubei and supply centers from third-party supply chain will support our restaurant network expansion in Central and Eastern China as well as Northern China. We plan to use supply centers from reliable and reputable third-party supply chain to support our restaurant network expansion in the remaining parts of China. Approximately HK\$46.5 million will be utilized by 2020, among which HK\$14.1 million will be used for recruiting staff, HK\$16.7 million will be used for construction and renovation, HK\$13.4 million will be used for purchasing kitchen equipment and HK\$2.3 million will be used for rental expenses and deposit. The remaining HK\$29.9 million will be utilized by 2021, among which HK\$19.0 million will be used for recruiting staff, HK\$4.3 million will be used for construction and renovation, HK\$4.3 million will be used for purchasing kitchen equipment and HK\$2.3 million will be used for rental expenses.
 - approximately 3.0% of our total estimated net proceeds, or HK\$57.3 million, to be used for renovating our existing central kitchens and upgrading our equipment and facilities. Each of our brands has its own featured cuisines or dishes and requires different food ingredients and supplies. Different types of equipment and facilities are needed to suit the needs of each of our brands. In view of the increasing popularity and recognition of our brands, particularly Tai Er, Double Eggs, Cooking Spicy Kebab and Uncle Chef, there is a cogent business need to renovate our existing central kitchens and upgrade our equipment and facilities to support the rapid expansion of our restaurant network.

The amount of fishery products we need to procure grows along with the expansion of the restaurant network of Tai Er. In addition to fresh fishery products, we increasingly use frozen fishery products in our food processing procedures to ensure the quality and stability of supply of fishery products. As a result, we need to upgrade our fishery products processing equipment and facilities to cater for both fresh and frozen fishery products. Further, we plan to

FUTURE PLANS AND USE OF PROCEEDS

upgrade the equipment and facilities for processing more ready-to-cook vegetables with a view to achieving high level of standardization and increasing operational efficiency.

The proposed renovation of our existing central kitchens mainly involves the upgrades of equipment and facilities. Our estimated capital expenditure on the proposed renovation is approximately HK\$48.4 million for the central kitchen in Guangdong, HK\$4.5 million for the central kitchen in Hainan and HK\$11.8 million for the central kitchen in Hubei. The following table sets forth the schedule for renovating our existing central kitchens and upgrading our equipment and facilities, and the estimated expenses for the periods indicated.

	December 31, 2019	For the year ended			December 31, 2023
		December 31, 2020	December 31, 2021	December 31, 2022	
		(in HK\$ thousands)			
Guangdong	5,992	6,792	12,315	19,453	9,869
Hainan	134	267	—	1,363	2,837
Hubei	134	2,227	8,845	652	108

We divide the whole renovation process into various phases such that only a limited part of the central kitchen will be affected during each phase of renovation. We will increase inventory levels to an appropriate extent before each phase of renovation to ensure stable supply of food ingredients. Therefore, our Directors believe that the proposed renovation will not cause material disruption to our business operations.

(iii) approximately 11.0% of our total estimated net proceeds, or HK\$210.2 million, will be used to repay part of the following loans:

- a syndicated loan facility of HK dollar equivalent of RMB180.0 million arranged by China Merchants Bank Co., Ltd., Hong Kong Branch, which bears an interest rate of HIBOR plus 0.8% per annum. In the event that the Listing Date falls within nine months from the date of the first drawdown, the maturity date of the syndicated loan facility shall be either one month from the Listing Date or ten months from the date of the first drawdown, whichever is earlier.
- a loan facility of RMB9.9 million from China Merchants Bank Co., Ltd., Guangzhou Branch, which bears an interest rate of 4.35% per annum, due on January 25, 2020.

Aggregating (i) the existing loan of approximately RMB39.0 million (including RMB9.9 million to be repaid with the net proceeds from the Global Offering) owed by our Group to China Merchants Bank Co., Ltd. and (ii) contribution of up to RMB100.0 million by China Merchants Bank Co., Ltd., Hong Kong Branch to the syndicated loan in an aggregate amount of RMB180.0 million arranged by China Merchants Bank Co., Ltd., Hong Kong Branch, the aggregate amount owed by our Group to the Sole Sponsor group will be no more than RMB139.0 million.

(iv) approximately 10.0% of our total estimated net proceeds, or HK\$191.1 million, will be used for our working capital and general corporate purposes.

FUTURE PLANS AND USE OF PROCEEDS

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis among (i), (ii) and (iv) while the amount allocated to (iii) will remain unchanged in the event that the Offer Price is fixed at a lower level compared to the mid-point of the indicative Offer Price range. In the event that the Offer Price is fixed at a higher level compared to the mid-point of the indicative Offer Price range, the additional proceeds will be used for our restaurants expansion and operation in 2022. Any additional proceeds received from the exercise of the Over-allotment Option will be used for our restaurants expansion and operation in 2022.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments so long as it is deemed to be in the best interests of our Company.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together, the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for a certain number of our Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased with an aggregate amount of US\$55.0 million (or approximately HK\$428.9 million calculated based on an exchange rate of US\$1.00: HK\$7.7982) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$5.50 per Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 77,980,000 Offer Shares, representing approximately 23.40% of the Offer Shares and approximately 5.84% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Share Option Scheme).

Assuming an Offer Price of HK\$6.05 per Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 70,891,000 Offer Shares, representing approximately 21.26% of the Offer Shares and approximately 5.31% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Share Option Scheme).

Assuming an Offer Price of HK\$6.60 per Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 64,983,000 Offer Shares, representing approximately 19.50% of the Offer Shares and approximately 4.87% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Share Option Scheme).

We consider that the cornerstone investments made by the Cornerstone Investors are desirable because: (i) the presence of the Cornerstone Investors ensures a reasonable size of solid commitment at the beginning of the marketing period and provides confidence to the market, particularly the retail investors who may take comfort in knowing that our Company is vouched for by the Cornerstone Investors who are willing to be subject to a six-month lock-up period; and (ii) having household names such as BlackRock Funds as Cornerstone Investors would significantly raise the profile of the proposed Listing and attract investors’ interest. A stimulated demand can thereby increase the chances of favorable pricing and of the transaction successfully closing.

To the best knowledge of our Company, each of the Cornerstone Investors is not an existing Shareholder, and is independent of our Company, connected persons, and their respective associates. The subscription for Offer Shares by the Cornerstone Investors under the Cornerstone Placing is not financed directly or indirectly by our Company, any of our

CORNERSTONE INVESTORS

Directors, chief executive of our Company, any of our existing Shareholders or any of its subsidiaries or their respective close associates. Each of the Cornerstone Investors is making independent investment decisions and none of them is accustomed to taking instructions from a core connected person of our Company, our Company, any of our Directors, chief executive of our Company, any of our existing Shareholders, or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares. There is no side agreement or arrangement between our Company and each of the Cornerstone Investors or any direct or indirect benefit conferred on the Cornerstone Investors by virtue of or in relation to their investments in our Company. No preferential treatment has been, nor will be, given to any Cornerstone Investor.

The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the respective Cornerstone Investment Agreements). Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, nor will the Cornerstone Investors become a substantial shareholder of our Company.

The investment amount for the Offer Shares to be subscribed for by each of the Cornerstone Investors under the Cornerstone Placing will be paid at or before 8:00 a.m. (Hong Kong time) on the Listing Date. Delivery of the Offer Shares subscribed for by the Cornerstone Investors will take place on the Listing Date subject to due payment being made. According to the Cornerstone Investment Agreements to be entered into among our Company, the Sole Sponsor and the Cornerstone Investors (except BlackRock Funds), the Sole Sponsor may in its sole discretion determine and notify the relevant Cornerstone Investor that the delivery of all or any part of the Shares subscribed for by such Cornerstone Investor shall be made on a date later than the Listing Date (“**Delayed Delivery Date**”), provided that the Delayed Delivery Date shall be no later than three business days following the last day on which the Over-allotment Option may be exercised. Pursuant to the Cornerstone Investment Agreement entered into between our Company, the Sole Sponsor and BlackRock Funds, subject to due payments being made at or before 8:00 a.m. (Hong Kong time) on the Listing Date, delivery of the Offer Shares subscribed for by BlackRock Funds shall be made through CCASS on the Listing Date.

The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation.” Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around January 14, 2020.

THE CORNERSTONE INVESTORS

The information about the Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing. Our Company became acquainted with each of the Cornerstone Investors through introduction and arrangement by CMB International Capital Limited. To the best knowledge of our Directors, it is expected that each of the Cornerstone Investors will finance and settle its payment of investment amounts by way of its internal resources.

BlackRock Funds

BlackRock Strategic Funds — BlackRock Asia Pacific Absolute Return Fund, BlackRock Global Funds — China Flexible Equity Fund, BlackRock Global Funds — China Fund and BlackRock Emerging Frontiers Fund Limited (“**BlackRock Funds**”) are managed by investment subsidiaries of BlackRock, Inc. (“**BlackRock**”), which have discretionary investment management power over the respective BlackRock Funds. BlackRock is listed on the New York Stock Exchange (stock code: BLK). As of December 31, 2018, BlackRock managed approximately US\$5.98 trillion in assets on behalf of investors worldwide. BlackRock’s shareholders’ approval is not required for BlackRock Funds’ subscription for the Offer Shares pursuant to the Cornerstone Investment Agreement.

In addition to the conditions precedent as set out in “— Closing Conditions”, the subscription obligation of the BlackRock Funds is subject to the respective representations, warranties, undertakings and confirmations of the Company being accurate and true in all material respects and not misleading and there being no material breach of the agreement on the part of the investor and the Company. Further, the BlackRock Funds are entitled to terminate the Cornerstone Investment Agreement in the event there is a material breach of the agreement by the Company or other contracting parties.

China Alpha

China Alpha Fund Management Ltd (“**China Alpha**”) has agreed to procure certain investors (namely China Alpha Master Fund Ltd and Global Integrity Fund Ltd) that China Alpha has discretionary investment management power over to subscribe for, and failing which China Alpha will subscribe for, such number of the Offer Shares. China Alpha is an exempted company incorporated in the Cayman Islands with limited liability and wholly owned by an individual, who is an independent third party. It is registered as an excluded person under the Securities Investment Business Law (as revised) of the Cayman Islands. It acts as the investment manager to certain funds under which China Alpha shall manage, on a discretionary basis, the money, investments, and/or other assets of the fund(s) in accordance with their respective guidelines and restrictions. China Alpha Master Fund Ltd and Global Integrity Fund Ltd are managed by China Alpha as fund manager and advised by China Alpha Fund Management (HK) Limited (中國守正基金管理(香港)有限公司) as investment advisor, which is a licensed corporation as defined under the SFO for Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined under the SFO.

WT

WT Investment Management (“**WT**”) is an exempted company incorporated in the Cayman Islands with limited liability and is beneficially owned as to 100% by an individual, who is an independent third party. WT has agreed to procure certain investor, namely WT China Fund Limited, that WT has discretionary investment management power over to subscribe for such number of the Offer Shares. WT China Fund Limited is managed by WT as manager and advised by WT Asset Management Limited as investment advisor. WT Asset Management Limited is incorporated in Hong Kong with limited liability and licensed by the SFC to carry on type 9 (asset management) regulated activity. WT China Fund Limited pursues to achieve absolute return and long term capital appreciation by investing primarily in the listed securities of companies which have great exposure or material impact in the Greater China region (which includes the PRC, Hong Kong, Macau and Taiwan). Investors of WT China Fund Limited include but not limited to pension funds, sovereign wealth fund, fund of funds, family offices and other sophisticated institutional investors.

GSC Fund One and Vision Fund 1

Orient Sun Rise Global Superior Choice SPC — Global Superior Choice Series Fund One SP (“**GSC Fund One**”) and Orient Sun Rise Global Superior Choice SPC — Vision Fund 1 SP (“**Vision Fund 1**”) are both sub funds of Orient Sun Rise Global Superior Choice SPC, which was incorporated in the Cayman Islands.

The funds are managed by Orient Asset Management (Hong Kong) Limited, a subsidiary of Orient Finance Holdings (Hong Kong) Limited, and a licensed corporation as defined under the SFO for Type 9 (asset management) regulated activities as defined under the SFO. Orient Finance Holdings (Hong Kong) Limited is a wholly owned subsidiary of DFZQ (東方證券股份有限公司), which is listed on the Stock Exchange (stock code: 3958) and Shanghai Stock Exchange (stock code: 600958). DFZQ’s shareholders’ approval is not required for the funds’ subscription for the Offer Shares pursuant to the Cornerstone Investment Agreement. Foresight Fund Management Co., Ltd, an asset management company based in Shanghai, is the investment advisor of the funds.

CORNERSTONE INVESTORS

The following table sets forth details on the Cornerstone Placing:

Cornerstone Investor	Total investment amount (US\$ in millions)	Hong Kong dollar equivalent ⁽¹⁾ (HK\$ in millions)	Number of Offer Shares to be subscribed ⁽²⁾	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised		Assuming the Over-allotment Option is fully exercised and all options which may be granted under the Share Option Scheme are granted and exercised	
				Approximate percentage of the Offer Shares	Approximate shareholding percentage in our Company immediately upon the completion of the Global Offering	Approximate percentage of the Offer Shares	Approximate shareholding percentage in our Company immediately upon the completion of the Global Offering	Approximate percentage of the Offer Shares	Approximate shareholding percentage in our Company immediately upon the completion of the Global Offering
Assuming an Offer Price of HK\$5.50 per Share (being the low-end of the indicative Offer Price range)									
BlackRock Funds . . .	20.0	156.0	28,375,000	8.51%	2.13%	7.40%	2.05%	5.49%	1.87%
China Alpha	15.0	117.0	21,267,000	6.38%	1.59%	5.55%	1.54%	4.12%	1.40%
WT.	15.0	117.0	21,267,000	6.38%	1.59%	5.55%	1.54%	4.12%	1.40%
GSC Fund One and Vision Fund 1	5.0	39.0	7,089,000	2.13%	0.53%	1.85%	0.51%	1.37%	0.47%
Total	55.0	428.9	77,980,000	23.40%	5.84%	20.35%	5.64%	15.10%	5.14%
Assuming an Offer Price of HK\$6.05 per Share (being the mid-point of the indicative Offer Price range)									
BlackRock Funds . . .	20.0	156.0	25,779,000	7.73%	1.93%	6.72%	1.86%	4.99%	1.70%
China Alpha	15.0	117.0	19,334,000	5.80%	1.45%	5.04%	1.40%	3.74%	1.27%
WT.	15.0	117.0	19,334,000	5.80%	1.45%	5.04%	1.40%	3.74%	1.27%
GSC Fund One and Vision Fund 1	5.0	39.0	6,444,000	1.93%	0.48%	1.68%	0.47%	1.25%	0.42%
Total	55.0	428.9	70,891,000	21.26%	5.31%	18.48%	5.13%	13.72%	4.66%
Assuming an Offer Price of HK\$6.60 per Share (being the high-end of the indicative Offer Price range)									
BlackRock Funds . . .	20.0	156.0	23,630,000	7.09%	1.77%	6.16%	1.71%	4.57%	1.56%
China Alpha	15.0	117.0	17,723,000	5.32%	1.33%	4.62%	1.28%	3.43%	1.17%
WT.	15.0	117.0	17,723,000	5.32%	1.33%	4.62%	1.28%	3.43%	1.17%
GSC Fund One and Vision Fund 1	5.0	39.0	5,907,000	1.77%	0.44%	1.54%	0.43%	1.14%	0.39%
Total	55.0	428.9	64,983,000	19.50%	4.87%	16.94%	4.70%	12.57%	4.29%

Notes:

1. Calculated based on an exchange rate of US\$1.00:HK\$7.7982 as described in "Information about this Prospectus and the Global Offering — Exchange Rate Conversion." The actual investment amount of the relevant Cornerstone Investor may change due to the actual exchange rate to be used as prescribed in the relevant Cornerstone Investment Agreement.
2. Subject to rounding down to the nearest whole board lot of 1,000 Shares.

CORNERSTONE INVESTORS

CLOSING CONDITIONS

The obligations of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (i) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;
- (ii) the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (on behalf of the Underwriters);
- (iii) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iv) no Laws (as defined in the relevant Cornerstone Investment Agreement) shall have been enacted or promulgated by any Governmental Authority (as defined in the relevant Cornerstone Investment Agreement) which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (v) the respective representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor under the relevant Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the relevant Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that without the prior written consent of each of our Company and the Sole Sponsor, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”) dispose of (as defined in the relevant Cornerstone Investment Agreement), in any way, any of the Offer Shares it has purchased or any interest in any company or entity holding any of such Offer Shares pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries which will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

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HONG KONG UNDERWRITERS

CMB International Capital Limited

China International Capital Corporation Hong Kong Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Joint Global Coordinators, for themselves and on behalf of the Underwriters, and our Company agreeing to the final Offer Price), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among others, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination with immediate effect by the Joint Global Coordinators, in their sole and absolute discretion (for themselves and on behalf of the Hong Kong Underwriters) by notice orally or in writing to our Company if prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
 - (i) any event, or series of events (either national or international), in the nature of force majeure (including, without limitation, epidemics, pandemics, outbreaks of diseases (including, without limitation, Severe Acute Respiratory Syndrome (**SARS**), Influenza A (**H5N1**) or swine or avian influenza (**H7N9**) or such related/mutated forms), fire, explosion, flooding, tsunami, earthquake, volcano eruption, ice-storm, calamity, crisis, civil commotion, rebellion, strikes, lock-outs, riot, severe transport disruption, aircraft collision, public disorder, economic sanction, acts of government, declaration of a national or international emergency or war, outbreak or escalation of hostilities (whether or not war is declared), acts of war, acts of terrorism (whether or not responsibility has been claimed) or acts of God), severe or extended interruption in transportation, in or directly or indirectly affecting Hong Kong, Singapore, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan or any other jurisdiction in which any member of our Group conducts business (each a “**Relevant Jurisdiction**”); or

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- (ii) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
- (iii) any change or development involving a prospective change, or any event or series of events likely to result or representing in any change, or development, or a prospective change or development, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency credit or market conditions (including, without limitation, any conditions affecting stock and bond markets, money and foreign exchange markets, investment markets and credit markets) in or affecting any Relevant Jurisdiction; or
- (iv) any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Markets, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or a devaluation of the HK\$ or the RMB against any foreign currencies; or
- (v) 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 any securities of our Company or of any other members of our Group listed or quoted on a stock exchange; or
- (vi) any general moratorium on commercial banking activities in any Relevant Jurisdiction imposed by any competent governmental authority or any disruption in commercial banking, foreign exchange trading or securities settlement or clearance services in those places; or
- (vii) any new law or any change or development involving a prospective change in existing laws, or any event or circumstance likely to result in a change or development involving a prospective change in the existing laws, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
- (viii) (A) a change or development involving a prospective change in taxes or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the HK\$ or the RMB against any foreign currencies, a change in the system under which the value of the HK\$ is linked to that of the US\$ or RMB is linked to any foreign currency or currencies), or (B) the implementation of any exchange control or taxation in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (ix) the issue or requirement to issue by our Company of a supplemental or amendment to, this prospectus, the Application Forms or other documents in connection with the offer and sale of the Shares pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the

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Stock Exchange or the SFC, in circumstances where the matter to be disclosed could, in the opinion of the Joint Global Coordinators, adversely affect the marketing for or implementation of the Global Offering; or

- (x) any change or development involving a prospective change which has the effect of materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (xi) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, general affairs, business, management, prospects, shareholders’ equity, profits, losses, results of operations, positions or condition, financial, operational or otherwise, or performance of any member of our Group (including any litigation or claim of any third party being threatened or instigated against any member of our Group); or
- (xii) any litigation, legal action, claim or legal proceeding of any third party being threatened or instigated against any member of our Group which would have a material adverse effect; or
- (xiii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xiv) the chairman or chief executive officer of our Company vacating his office; or
- (xv) a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (xvi) a prohibition on our Company for whatever reason from allotting, issuing or selling, as the case may be, any of the Offer Shares (including the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xvii) a non-compliance of, among other documents, this prospectus, the Application Forms or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xviii) any demand by creditors for repayment of indebtedness or an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (xix) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or on, any Relevant Jurisdiction,

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which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (1) is or will or is likely to be materially adverse to, or materially and prejudicially affects, the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, results of operations, positions or condition, financial, operational or otherwise, or performance of our Company or our Group as a whole or to any present or prospective shareholders of our Company in its capacity as such, or (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering, or (3) makes it or will make it or is likely to make it inadvisable or inexpedient or incapable or impracticable for the Global Offering to proceed or to market the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by, among other documents, this prospectus and the Application Forms, 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, inadvisable or impracticable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) it has come to the notice of any of the Joint Global Coordinators after the date of the Hong Kong Underwriting Agreement:
- (i) that any statement contained in this prospectus and/or the Application Forms and/or any announcement or advertisement issued by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, in the sole and absolute opinion of the Joint Global Coordinators, when it was issued, or has become, untrue, incorrect or incomplete in any material respect or misleading, or that any forecast, expression of opinion, intention or expectation expressed in, among other documents, this prospectus and/or the Application Forms and/or any announcements or advertisements, communications or other documents issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was made, not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, in any material respect; or
 - (ii) any contravention by any member of our Group or any Director of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the company law of the PRC or the Listing Rules; or
 - (iii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or
 - (iv) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement in any of this prospectus and/or the Application Forms or constitute a material omission therefrom; or

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- (v) any material breach of any of the obligations of our Company or the Controlling Shareholders, or any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (vi) any event, act or omission which gives or is likely to give rise to any liability pursuant to the Hong Kong Underwriting Agreement; or
- (vii) any material adverse change or prospective material adverse change or development involving a prospective adverse change in the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, results of operations, positions or condition, financial, operational or otherwise, or performance of our Group as a whole; or
- (viii) any breach or alleged breach of any of the warranties or undertakings of the Hong Kong Underwriting Agreement in any material respect, or any of (or any event rendering any of) the warranties or undertakings of the Hong Kong Underwriting Agreement is (or would when repeated be) untrue, incorrect, incomplete or misleading in any material respect; or
- (ix) any litigation or dispute or potential litigation or dispute, which would materially affect the operation, financial condition, reputation or composition of the board of our Company and our Group; or
- (x) that a significant portion of the orders in the bookbuilding process at the time when the International Underwriting Agreement is entered into have been withdrawn, terminated, cancelled or otherwise not fulfilled; or
- (xi) that the investment commitments by any cornerstone investors (if any) after signing of agreements with such cornerstone investors have been withdrawn, terminated, cancelled or otherwise not fulfilled; or
- (xii) that the grant or agreement to grant by the Listing Committee of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board (including any additional Shares to be issued pursuant to the exercise of the Over-allotment Option or Shares issuable upon exercise of options which may be granted under the Share Option Scheme) (the "**Admission**") is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the Admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or
- (xiii) that our Company withdraws this prospectus (or any other documents used in connection with the contemplated offer of the Shares) or the Global Offering; or
- (xiv) that any expert whose consent is required for the issue of this prospectus with inclusion of its reports and/or letters (as the case may be) and references to its name in the form and context in which they appear has withdrawn its consent to the issue of this prospectus.

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Undertakings to the Stock Exchange under the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Global Offering, the Over-allotment Option and the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us 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 for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

By the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange that except pursuant to the Global Offering, the Over-allotment Option and any lending of Shares pursuant to the Stock Borrowing Agreement, he or it shall not and shall procure that the relevant registered holder(s) not to:

- in the period commencing from the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of, any of the Shares or securities of our Company in respect of which he or it is shown by this prospectus to be the beneficial owner; or
- in the period of six months commencing on the date on which the period referred to in the preceding paragraph expires, dispose of or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of, any of the Shares or securities of our Company referred to in the preceding paragraph if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be the Controlling Shareholder.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, the Controlling Shareholders have further undertaken to the Stock Exchange and our Company that, within a period commencing from the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on a date which is 12 months from the Listing Date, he or it will:

- (a) when he or it pledges or charges any Shares or securities of our Company beneficially owned by him or it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide

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commercial loan, immediately inform us in writing of such pledge or charge together with the number of such Shares or securities of our Company so pledged or charged; and

- (b) when he or it receives any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform us in writing of any such indications.

We have agreed and undertaken to the Stock Exchange that, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

Our Company has undertaken that, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date which is six months after the Listing Date (the “**First Six-Month Period**”), we will not, and will procure that our subsidiaries not to, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) 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 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 any other securities of our 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
- (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 Shares or any other securities of our 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
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) and (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

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in each case, whether any of the foregoing transactions is to be settled by delivery of the Shares or such other securities of our Company, or in cash or otherwise (whether or not such issue of the Shares or such other securities will be completed within such period), provided that the foregoing restrictions shall not apply to (i) the issue of Shares by our Company pursuant to the Global Offering and the Over-allotment Option; or (ii) the grant by our Company of any options and the issue by our Company of Shares pursuant to the exercise of the options to be granted under the Share Option Scheme.

In the event of our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market in the securities of our Company.

By the Controlling Shareholders

Each of the Controlling Shareholders has undertaken to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor that, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, save for the lending of Shares pursuant to the Stock Borrowing Agreement:

- (a) he or it will not, at any time during 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 any other securities of our Company or any interest therein (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, as applicable) (the “**Relevant Shares**”), 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 Shares or any other securities of our Company or any interest therein (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 (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (a)(i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Six-Month Period);
- (b) he or it will not, during the Second Six-Month Period, enter into any of the transactions specified in sub-paragraph (a)(i), (ii) or (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,

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right, interest or encumbrance pursuant to such transaction, he or it will cease to be a “controlling shareholder” (if applicable and as defined in the Listing Rules) of our Company; and

- (c) until the expiry of the Second Six-Month period, in the event that he or it enters into any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, he or it will take all reasonable steps to ensure that he or it will not create a disorderly or false market in the securities of our Company.

Undertakings by the Pre-IPO Investors

Pursuant to the deeds of undertakings executed by the Pre-IPO Investors, each of our Pre-IPO Investors has undertaken that, without the prior written consent of the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) it will not and, will procure that none of its affiliates will, during the period commencing from the date of the Prospectus and ending on the expiry of six months from the Listing Date (the “**Pre-IPO Lock-up 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 any other securities of the Company or any interest therein (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, as applicable); 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 Shares or any other securities of the Company or any interest therein (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 (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (i), (ii)

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or (iii) above is to be settled by delivery of the Shares or such other securities of the Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

- (b) until the expiry of the Pre-IPO Lock-up Period, in the event that it or any of its affiliates enters into any of the transactions specified in paragraph (i), (ii) or (iii) in paragraph (a) above or offers to or agrees to or announces any intention to effect any such transaction, he/it will take all reasonable steps to ensure that such transaction, agreement or announcement, as the case may be, will not create a disorderly or false market in the securities of the Company;
- (c) it or any of its affiliates will not (whether by itself or through any company controlled by it) apply or subscribe for or purchase any Offer Shares either in its own name or through nominees unless permitted to do so under the Listing Rules, and if any such application has been made or it has indicated an interest to acquire such Offer Shares, it shall forthwith notify the Joint Global Coordinators (for themselves and on behalf of the Underwriters); and
- (d) it will not, and will not permit any of its affiliates or any person acting on its or their behalf to, sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the U.S. Securities Act) which could be integrated with the sale of the International Offer Shares in a manner which would require the registration under the U.S. Securities Act of the International Offer Shares.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that the Company will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriters would severally agree to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering. In the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Underwriting Commissions and Expenses

The Hong Kong Underwriters are expected to receive underwriting commissions of 3.00% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering by us, out of which they will pay any sub-underwriting commissions. In addition, our Company may, at its absolute discretion, pay any or all of the Hong Kong Underwriters an incentive fee of up to 1.00% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering by us.

The aggregate commissions and incentive fee, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, are currently estimated to be approximately HK\$117.49 million in aggregate (based on an Offer Price of HK\$6.05 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$5.50 to HK\$6.60 per Offer Share, and on the assumption that the Over-allotment Option is not exercised), which

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are to be borne by our Company. The Hong Kong Underwriters will not receive any underwriting commission regarding any Offer Shares re-allocated from the International Offering to the Hong Kong Public Offering or re-allocated from the Hong Kong Public Offering to the International Offering.

INDEMNITY

Each of our Company and the Controlling Shareholders (collectively the “**Indemnity Covenantors**”) has agreed to indemnify the Hong Kong Underwriters against certain losses which the Hong Kong Underwriters may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Indemnity Covenantors of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the relevant Underwriting Agreements, none of the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

STRUCTURE OF THE GLOBAL OFFERING

THE STRUCTURE OF THE GLOBAL OFFERING

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

- (a) the Hong Kong Public Offering of initially 33,340,000 Shares (subject to reallocation as described below) for subscription by the public in Hong Kong as described in “— The Hong Kong Public Offering” in this section; and
- (b) the International Offering of an aggregate of, initially, 300,060,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in “— The International Offering” in this section.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or 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 25.0% of the number of Shares in issue immediately following completion of the Global Offering without taking into account the exercise of the Over-allotment Option (assuming the options granted or which may be granted under the Share Option Schemes are not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged number of Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option (assuming the options granted or which may be granted under the Share Option Schemes are not exercised).

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

We are initially offering 33,340,000 Shares under the Hong Kong Public Offering at the Offer Price, representing 10% of the total number of the Offer Shares being offered in the Global Offering, for subscription by way of public offer in Hong Kong. The number of 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 2.50% of the issued share capital of our Company immediately following the completion of the Global Offering (assuming the options granted or which may be granted under the Share Option Schemes are not exercised and the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in “— Conditions of the Global Offering” in this section.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purpose, the total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) will be equally divided into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B. Investors should be aware that applications in pool A and in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. For the purposes of the immediately preceding paragraph only, the “subscription price” for the Hong Kong Offer Shares means the price payable on the application (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within pool A or pool B, and between the two pools, and any application for more than 16,670,000 Hong Kong Offer Shares (being 50% of the 33,340,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. 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 as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, and provided that the International Offering is not undersubscribed, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 100,020,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

STRUCTURE OF THE GLOBAL OFFERING

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, and provided that the International Offering is not undersubscribed, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 133,360,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, and provided that the International Offering is not undersubscribed, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 166,700,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

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 Joint Global Coordinators (for themselves and on behalf of the Underwriters) deem appropriate. In addition, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done in the circumstance that (i) the International Offering is undersubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed irrespective of the number of times; or (ii) when the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is oversubscribed by less than 15 times, the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation shall not be more than 66,680,000 Offer Shares (representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20% of the total number of Offer Shares initially available under the Global Offering) and the final Offer Price shall be fixed at the bottom end of the Offer Price range stated in this prospectus.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

However, if neither the Hong Kong Public Offering nor the International Offering is fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements.

STRUCTURE OF THE GLOBAL OFFERING

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he 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 breached and/or untrue (as the case may be) or if it 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 of HK\$6.60 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%, amounting to a total of HK\$6,666.51 for each board lot of 1,000 Shares. If the Offer Price, as finally determined in the manner described in “— Pricing and Allocation” in this section, is less than the maximum Offer Price of HK\$6.60 per Offer Share, appropriate refund payments (including the brokerage, the SFC 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 the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

THE INTERNATIONAL OFFERING

We are initially offering 300,060,000 Shares at the Offer Price, representing 90% of the total number of the Offer Shares being offered in the Global Offering, for subscription by way of the International Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “— Pricing and Allocation” in this section 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 our Company and our Shareholders as a whole.

The Joint Global Coordinators (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 Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allotment of Offer Shares under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in “— The Hong Kong Public Offering — Reallocation” in this section, 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.

However, if neither the Hong Kong Public Offering nor the International Offering is fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements.

THE OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 50,010,000 Offer Shares, representing 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 3.6% of the total Shares in issue immediately following the completion of the Global Offering (assuming the options granted or which may be granted under the Share Option Schemes are not exercised). 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 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, its affiliates or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, 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 in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if taken, may be

STRUCTURE OF THE GLOBAL OFFERING

discontinued at any time, and is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) 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, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) 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, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it 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 stabilizing period which will begin on the Listing Date, and will expire on Friday, February 7, 2020, being the 30th day after the last day for the lodging of 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.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilization period.

STRUCTURE OF THE GLOBAL OFFERING

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager, its affiliates 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 ARRANGEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it may choose to borrow up to 50,010,000 Shares (being the maximum number of Shares which may be sold pursuant to the exercise of the Over-allotment Option) from GYH BVI, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager and GYH BVI on or about the Price Determination Date.

If the Stock Borrowing Agreement with GYH BVI is entered into, the borrowing of Shares will only be effected by the Stabilizing Manager, its affiliates or any person acting for it for the settlement of over-allocations in the International Offering and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to GYH BVI or their nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option 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 GYH BVI by the Stabilizing Manager, its affiliates or any person acting for it in relation to such Shares borrowing arrangement.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, January 8, 2020 and, in any event, no later than Monday, January 13, 2020, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our 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\$6.60 per Offer Share and is expected to be not less than HK\$5.50 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 of HK\$6.60 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%, amounting to a total of HK\$6,666.51 for each

STRUCTURE OF THE GLOBAL OFFERING

board lot of 1,000 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 Offer Price range 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 around, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors and institutional investors during the book-building process in respect of the International Offering, and with the consent of our Company, reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company 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 website of our Company (www.jiumaojiu.com) and the website of the Stock Exchange (www.hkexnews.hk) notices of the reduction. If the number of Offer Shares and/or the Offer Price range is so reduced, the Company is required to (i) issue a supplemental prospectus informing potential investors of the updated information in connection with such change; and (ii) extend the offer period to allow potential investors to have sufficient time to consider and require them to positively confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid. Upon the issue of such 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 Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement, 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 Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

STRUCTURE OF THE GLOBAL OFFERING

The final Offer Price, 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 Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed “How to Apply for Hong Kong Offer Shares — 11. Publication of Results” in this prospectus.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being executed and becoming unconditional.

Our 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 the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, (a) our Shares in issue and to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and (b) any Shares which may be issued upon the exercise of the options which have been or may be granted under the Share Option Schemes, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the Offer Price having been duly agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);
- (iii) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms and conditions of the respective agreements,

in each case, on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (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 the 30th day after the date of this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Monday, January 13, 2020, 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 others, 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 our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.jiumaojiu.com on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares — 13. Refund of application monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the Receiving Bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates issued in respect of the Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be sold pursuant to the exercise of the Over-allotment Option, any additional Shares which may be issued pursuant to any exercise of any options granted or which may be granted under the Share Option Schemes).

No part of our Company’s share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Listing Committee grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our 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 our Shares on the Stock Exchange or any other date HKSCC may choose. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business 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.

STRUCTURE OF THE GLOBAL OFFERING

LISTING DATE

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. on Wednesday, January 15, 2020, it is expected that dealings in our Shares will commence at 9:00 a.m. on Wednesday, January 15, 2020. Our Shares will be traded in board lots of 1,000 Shares. The stock code of our Shares will be 9922.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

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.

Our Company, the Sole Sponsor, the Joint Bookrunners, the **White Form eIPO** Service Provider and their respective agents and nominees may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the 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, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sole Sponsor and the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to 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, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, December 30, 2019 until 12:00 noon on Wednesday, January 8, 2020 from:

- (i) the following address of the Hong Kong Underwriters:

CMB International Capital Limited	45/F, Champion Tower, 3 Garden Road, Central, Hong Kong
China International Capital Corporation Hong Kong Securities Limited	29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) any of the following branches of CMB Wing Lung Bank Limited, the Receiving Bank:

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
Kowloon	Mongkok Branch	B/F, CMB Wing Lung Bank Centre, 636 Nathan Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, December 30, 2019 until 12:00 noon on Wednesday, January 8, 2020 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "CMB WING LUNG (NOMINEES) LIMITED — JIUMAOJIU INTERNATIONAL HOLDINGS LIMITED PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, December 30, 2019	—	9:00 a.m. to 5:00 p.m.
Tuesday, December 31, 2019	—	9:00 a.m. to 5:00 p.m.
Thursday, January 2, 2020	—	9:00 a.m. to 5:00 p.m.
Friday, January 3, 2020	—	9:00 a.m. to 5:00 p.m.
Monday, January 6, 2020	—	9:00 a.m. to 5:00 p.m.
Tuesday, January 7, 2020	—	9:00 a.m. to 5:00 p.m.
Wednesday, January 8, 2020	—	9:00 a.m. to 12:00 noon

The application for the Hong Kong Offer Shares will commence on Monday, December 30, 2019 through Wednesday, January 8, 2020, being longer than normal market practice of four days.

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, January 8, 2020, the last application day or such later time as described in "10. Effect of bad weather on the opening of the application lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained 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;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) 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 Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, the Hong Kong Share Registrar, the Receiving Bank, the Sole Sponsor, the Joint Bookrunners, the Underwriters and/or their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Global Offering any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) 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 none of our Company, the Sole Sponsor, the Joint Bookrunners and the Underwriters nor any of their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Global Offering will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xi) agree that your application, any acceptance of it and the resulting contract will be governed and construed in accordance with the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application 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 cheque(s) in person;
- (xvi) 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;
- (xvii) understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (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 on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. Who can apply” above, may apply through the **White Form eIPO** service for the Hong Kong Offer Shares to be allotted 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 on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise 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.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, December 30, 2019 until 11:30 a.m. on Wednesday, January 8, 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, January 8, 2020 or such later time under the paragraph headed “10. Effect of bad weather on the opening 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 instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you 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.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 for each “Jiumaojiu International Holdings Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong 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 Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (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 you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

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 Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and our Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued 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 Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under 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 authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us 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/or 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, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other party involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank(s), the Sole Sponsor, the Joint Bookrunners, the Underwriters and/or their respective advisors and agents;
- 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 before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day 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 before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section 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 our Company's announcement of the Hong Kong Public Offering results;
- 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 the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant

HOW TO APPLY FOR HONG KONG OFFER SHARES

giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, 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 shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the 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 per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates⁽¹⁾:

Monday, December 30, 2019	—	9:00 a.m. to 8:30 p.m.
Tuesday, December 31, 2019	—	8:00 a.m. to 8:30 p.m.
Thursday, January 2, 2020	—	8:00 a.m. to 8:30 p.m.
Friday, January 3, 2020	—	8:00 a.m. to 8:30 p.m.
Saturday, January 4, 2020	—	8:00 a.m. to 1:00 p.m.
Monday, January 6, 2020	—	8:00 a.m. to 8:30 p.m.
Tuesday, January 7, 2020	—	8:00 a.m. to 8:30 p.m.
Wednesday, January 8, 2020	—	8:00 a.m. to 12:00 noon

Note:

1. These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, December 30, 2019 until 12:00 noon on Wednesday, January 8, 2020 (24 hours daily, except on Wednesday, January 8, 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, January 8, 2020, the last application day or such later time as described in “10. Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each 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 (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the Receiving Bank, the Joint Bookrunners, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also 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 application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong 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 either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, January 8, 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed 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).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed “Structure of the Global Offering — Pricing and allocation” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; or
- Extreme Conditions

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in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, January 8, 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, January 8, 2020 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication 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 Offer Shares on Tuesday, January 14, 2020 on our Company’s website at www.jiumaojiu.com and the website of the 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 date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.jiumaojiu.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m., Tuesday, January 14, 2020;
- 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 Tuesday, January 14, 2020 to 12:00 midnight on Monday, January 20, 2020;
- by telephone inquiry line by calling (852) 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, January 14, 2020 to Friday, January 17, 2020;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, January 14, 2020 to Thursday, January 16, 2020 at all the Receiving Bank’s designated branches.

If our Company accepts 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 Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. For further details, please refer to the section headed “Structure of the Global Offering” in this prospectus.

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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, 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 the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, 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.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor, the Joint Bookrunners, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

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- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying 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 Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- 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;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company, the Sole Sponsor and/or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. 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 of HK\$6.60 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, January 14, 2020.

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14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque(s), if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Tuesday, January 14, 2020. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, January 15, 2020 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183

HOW TO APPLY FOR HONG KONG OFFER SHARES

Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, January 14, 2020 or such other date as notified by us on the websites of the Stock Exchange at www.hkexnews.hk and of our Company at www.jiumaojiu.com.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, January 14, 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, January 14, 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and 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 credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, January 14, 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS participant (other than a CCASS Investor Participant)

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m., Tuesday, January 14, 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iii) If you apply through the White Form eIPO Service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) 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, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, January 14, 2020, or such other date as notified by our Company on the websites of the Stock Exchange at www.hkexnews.hk and of our Company at www.jiumaojiu.com as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, January 14, 2020 by ordinary post 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 as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong 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 Tuesday, January 14, 2020, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed “11. Publication of results” above on Tuesday, January 14, 2020. You should

HOW TO APPLY FOR HONG KONG OFFER SHARES

check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, January 14, 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted 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 Offer Shares allotted 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 Tuesday, January 14, 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong 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 and the 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 Tuesday, January 14, 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our 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 our Shares 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 Business 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 adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-63, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JIUMAOJIU INTERNATIONAL HOLDINGS LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Jiumaojiu International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-63, which comprises the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 June 2019, the statement of financial position of the Company as at 30 June 2019 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 (the "Relevant Periods"), 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-63 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 December 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' 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 accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2016, 2017 and 2018 and 30 June 2019 and the Company's financial position as at 30 June 2019 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2018 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 26(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No statutory historical financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 December 2019

Historical financial information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Expressed in Renminbi)

	Note	Years ended 31 December			Six months ended 30 June	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
Revenue	4	1,164,256	1,469,183	1,892,821	874,491	1,237,138
Other revenue	5	1,445	2,255	2,583	1,009	1,906
Raw materials and consumables used		(384,058)	(512,510)	(671,860)	(295,333)	(435,002)
Staff costs	6(b)	(327,714)	(400,227)	(523,479)	(239,524)	(320,073)
Depreciation of right-of-use assets	6(c)	(109,968)	(128,623)	(154,840)	(73,238)	(104,555)
Other rentals and related expenses	6(c)	(5,998)	(9,214)	(29,130)	(13,288)	(21,460)
Depreciation and amortisation of other assets	6(c)	(64,773)	(76,208)	(81,345)	(38,717)	(49,239)
Utilities expenses	6(c)	(73,385)	(79,657)	(93,776)	(44,414)	(50,456)
Travelling and related expenses		(7,210)	(10,241)	(14,435)	(4,640)	(5,465)
Listing expenses	6(c)	—	—	—	—	(9,850)
Advertising and promotion expenses		(14,720)	(15,016)	(19,785)	(7,711)	(8,333)
Delivery service fees		(2,676)	(11,255)	(20,682)	(9,063)	(14,921)
Other expenses		(43,455)	(75,911)	(122,642)	(49,386)	(51,283)
Share of (losses)/profits of associates		(1,116)	(671)	(1,996)	(1,309)	1,087
Other net (losses)/income	6(c)	(5,444)	(585)	1,208	879	(1,889)
Finance costs	6(a)	(49,480)	(51,846)	(58,261)	(23,865)	(29,059)
Profit before taxation	6	75,704	99,474	104,381	75,891	138,546
Income tax	7	(24,418)	(27,827)	(30,533)	(21,503)	(36,509)
Profit for the year/period		51,286	71,647	73,848	54,388	102,037
Total comprehensive income for the year/period		51,286	71,647	73,848	54,388	102,037
Attributable to:						
Equity shareholders of the Company		51,862	66,861	69,648	51,154	92,562
Non-controlling interests		(576)	4,786	4,200	3,234	9,475
Total comprehensive income for the year/period		51,286	71,647	73,848	54,388	102,037
Earnings per share						
Basic and diluted		N/A	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	As at 31 December			As at
		2016	2017	2018	30 June
		RMB'000	RMB'000	RMB'000	2019
				RMB'000	
Non-current assets					
Property, plant and equipment	11	227,100	216,104	268,032	280,785
Right-of-use assets	11	420,141	456,995	574,236	655,911
Intangible assets	12	3,498	3,491	3,568	3,358
Investments in associates . . .	14	—	3,854	3,931	5,018
Other non-current financial assets	15	4,642	13,740	12,938	12,938
Deferred tax assets	24(b)	30,840	37,896	52,042	57,328
Rental deposits		17,826	25,921	43,945	43,392
Other non-current assets		1,148	1,302	1,659	2,943
		<u>705,195</u>	<u>759,303</u>	<u>960,351</u>	<u>1,061,673</u>
Current assets					
Inventories	16	20,420	33,026	36,387	44,246
Trade and other receivables . .	17	85,055	96,063	124,476	158,434
Restricted bank deposits	18(a)	4,005	1,605	6,003	8,019
Cash and cash equivalents . . .	18(a)	33,128	52,422	59,752	125,766
		<u>142,608</u>	<u>183,116</u>	<u>226,618</u>	<u>336,465</u>
Current liabilities					
Trade and other payables	19	138,639	150,112	234,195	410,827
Contract liabilities	20	1,098	986	856	736
Lease liabilities	21	103,321	111,698	143,588	165,794
Bank Loans	23	38,904	20,000	49,104	51,874
Current taxation	24(a)	6,413	7,667	12,313	26,371
		<u>288,375</u>	<u>290,463</u>	<u>440,056</u>	<u>655,602</u>
Net current liabilities		<u>(145,767)</u>	<u>(107,347)</u>	<u>(213,438)</u>	<u>(319,137)</u>
Total assets less current liabilities		559,428	651,956	746,913	742,536
Non-current liabilities					
Lease liabilities	21	398,465	428,381	522,096	582,753
Provisions	22	13,693	16,394	21,248	23,026
		<u>412,158</u>	<u>444,775</u>	<u>543,344</u>	<u>605,779</u>
NET ASSETS		<u>147,270</u>	<u>207,181</u>	<u>203,569</u>	<u>136,757</u>
CAPITAL AND RESERVES					
Share capital	26(a)	—	—	—	1
Reserves	26(c)	143,191	191,948	191,308	108,324
Total equity attributable to shareholders of the Company		143,191	191,948	191,308	108,325
Non-controlling interests		4,079	15,233	12,261	28,432
TOTAL EQUITY		<u>147,270</u>	<u>207,181</u>	<u>203,569</u>	<u>136,757</u>

The accompanying notes form part of the Historical Financial Information.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

	Note	As at 30 June 2019 <u>RMB'000</u>
Non-current asset		
Investment in a subsidiary	13	—*
Current asset		
Other receivables		2,024
Current liability		
Other payables		11,873
NET LIABILITIES		<u>(9,849)</u>
CAPITAL AND RESERVES		
Share capital	26(a)	1
Reserves		(9,850)
TOTAL EQUITY		<u>(9,849)</u>

* The balance represents amount less than RMB1,000.

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Capital reserve	Share-based payments reserve	Statutory reserve	(Accumulated losses)/ retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	note 26(a)	note 26(c)(i)	note 26(c)(ii)	note 26(c)(iii)			RMB'000	RMB'000
Balance at 1 January 2016	—	147,510	1,749	4,033	(55,557)	97,735	805	98,540
Changes in equity for the year ended 31 December 2016:								
Profit for the year and total comprehensive income	—	—	—	—	51,862	51,862	(576)	51,286
Capital injection from non-controlling interests in subsidiaries	—	—	—	—	—	—	2,743	2,743
Changes in the Group's investment in a subsidiary	26(c)(i)	(1,107)	—	—	—	(1,107)	1,107	—
Dividends declared	26(d)	—	—	—	(9,000)	(9,000)	—	(9,000)
Appropriation to statutory reserve	26(c)(iii)	—	—	6,159	(6,159)	—	—	—
Equity settled share-based transactions	25	—	3,701	—	—	3,701	—	3,701
Balance at 31 December 2016 and 1 January 2017	—	146,403	5,450	10,192	(18,854)	143,191	4,079	147,270
Changes in equity for the year ended 31 December 2017:								
Profit for the year and total comprehensive income	—	—	—	—	66,861	66,861	4,786	71,647
Capital injection from non-controlling interests in subsidiaries	—	—	—	—	—	—	4,575	4,575
Changes in the Group's investments in subsidiaries	26(c)(i)	(1,793)	—	—	—	(1,793)	1,793	—
Dividends declared	26(d)	—	—	—	(20,000)	(20,000)	—	(20,000)
Appropriation to statutory reserve	26(c)(iii)	—	—	7,446	(7,446)	—	—	—
Equity settled share-based transactions	25	—	3,689	—	—	3,689	—	3,689
Balance at 31 December 2017 and 1 January 2018	—	144,610	9,139	17,638	20,561	191,948	15,233	207,181
Changes in equity for the year ended 31 December 2018:								
Profit for the year and total comprehensive income	—	—	—	—	69,648	69,648	4,200	73,848
Capitalisation of statutory reserve and retained profits	26(c)(i)	13,785	—	(6,531)	(7,254)	—	—	—
Dividends declared	26(d)	—	—	—	(54,750)	(54,750)	—	(54,750)
Appropriation to statutory reserve	26(c)(iii)	—	—	21,874	(21,874)	—	—	—
Equity settled share-based transactions	25	—	4,790	—	—	4,790	—	4,790
Acquisition of non-controlling interests	26(c)(i)	—	(18,557)	—	(1,771)	(20,328)	(7,172)	(27,500)
Balance at 31 December 2018 and 1 January 2019	—	139,838	13,929	32,981	4,560	191,308	12,261	203,569
Changes in equity for the period ended 30 June 2019:								
Profit for the period and total comprehensive income	—	—	—	—	92,562	92,562	9,475	102,037
Capital injection from non-controlling interests in subsidiaries	—	—	—	—	—	—	6,696	6,696
Capital injection from equity shareholders	26(a)	1	—	—	—	1	—	1
Equity settled share-based transactions	25	—	4,454	—	—	4,454	—	4,454
Arising from reorganisation	26(c)(i)	—	(139,838)	—	(40,162)	(180,000)	—	(180,000)
Balance at 30 June 2019	1	—	18,383	32,981	56,960	108,325	28,432	136,757

(unaudited)

	Note	Attributable to equity shareholders of the Company					Total	Non-controlling interests	Total equity
		Share capital	Capital reserve	Share-based		Retained profits			
				payments reserve	Statutory reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 31 December 2017 and 1 January 2018		—	144,610	9,139	17,638	20,561	191,948	15,233	207,181
Changes in equity for the period ended 30 June 2018:									
Profit for the period and total comprehensive income		—	—	—	—	51,154	51,154	3,234	54,388
Dividends declared	26(d)	—	—	—	—	(24,750)	(24,750)	—	(24,750)
Equity settled share-based transactions	25	—	—	1,947	—	—	1,947	—	1,947
Acquisition of non-controlling interests		—	(6,394)	—	—	(1,771)	(8,165)	(4,335)	(12,500)
Balance at 30 June 2018		—	138,216	11,086	17,638	45,194	212,134	14,132	226,266

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in Renminbi)

	Note	Years ended 31 December			Six months ended 30 June	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(unaudited)						
Operating activities						
Cash generated from operations	18(b)	285,408	347,527	412,596	216,234	318,572
Income tax paid	24(a)	(23,709)	(33,629)	(40,033)	(21,704)	(27,737)
Net cash generated from operating activities		<u>261,699</u>	<u>313,898</u>	<u>372,563</u>	<u>194,530</u>	<u>290,835</u>
Investing activities						
Payment for purchases of property, plant and equipment		(88,707)	(74,868)	(149,768)	(50,711)	(61,023)
Payment for purchases of intangible assets		(2,554)	(1,969)	(2,024)	(1,251)	(1,177)
Interest received		320	535	769	285	599
Payment for purchases of unlisted equity securities . . .		(4,642)	(9,098)	(198)	—	—
Dividends received from unlisted equity securities		—	—	69	—	—
Payment for investments in associates		(2,520)	(4,525)	—	—	(2,073)
Payment for provisions		(629)	(83)	(578)	(73)	(632)
Net cash used in investing activities		<u>(98,732)</u>	<u>(90,008)</u>	<u>(151,730)</u>	<u>(51,750)</u>	<u>(64,306)</u>

	Note	Years ended 31 December			Six months ended 30 June	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Financing activities						
Proceeds from bank loans. . . .	18(c)	48,361	24,193	73,423	37,797	36,701
Repayment of bank loans. . . .	18(c)	(53,589)	(43,097)	(44,319)	(28,999)	(33,931)
Payment of capital element and interest element of lease liabilities	18(c)	(143,312)	(171,184)	(184,953)	(92,256)	(136,147)
Interest of bank loans paid . . .	18(c)	(2,116)	(1,483)	(1,006)	(416)	(1,818)
Withdrawal of restricted bank deposits.		3,405	4,005	1,605	1,605	6,003
Placement of restricted bank deposits.		(4,005)	(1,605)	(6,003)	(2,003)	(8,019)
Capital injection from the non-controlling interests of subsidiaries		2,743	4,575	—	—	6,696
Acquisition of non-controlling interests of subsidiaries. . . .		—	—	(27,500)	(12,500)	—
Dividends paid		(9,000)	(20,000)	(24,750)	(24,750)	(30,000)
Net cash used in financing activities		<u>(157,513)</u>	<u>(204,596)</u>	<u>(213,503)</u>	<u>(121,522)</u>	<u>(160,515)</u>
Net increase in cash and cash equivalents		5,454	19,294	7,330	21,258	66,014
Cash and Cash equivalents at 1 January.	18(a)	<u>27,674</u>	<u>33,128</u>	<u>52,422</u>	<u>52,422</u>	<u>59,752</u>
Cash and Cash equivalents at 31 December/30 June.	18(a)	<u>33,128</u>	<u>52,422</u>	<u>59,752</u>	<u>73,680</u>	<u>125,766</u>

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Jiumaojiu International Holdings Limited (the "Company") was incorporated in the Cayman Islands on 1 February 2019, as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation mentioned below ("Reorganisation"). The Company and its subsidiaries (together, the "Group") are principally engaged in restaurant operations, delivery business, sales of specialities and others in the People's Republic of China (the "PRC").

Prior to the incorporation of the Company, the above mentioned principal activities were carried out by Guangzhou Jiumaojiu Catering Chain Co., Ltd.* (廣州九毛九餐飲連鎖有限公司, "Guangzhou Jiumaojiu") and its subsidiaries. To rationalise the corporate structure in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation, as detailed in the section headed "History, Reorganization and Corporate Structure" in the Prospectus. Upon completion of the Reorganisation, the Company became the holding company of the Group. As Guangzhou Jiumaojiu and its subsidiaries were controlled by the Group's ultimate controlling shareholder, Mr. Guan Yihong ("Mr. Guan") before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of the Group. The Reorganisation only involved inserting several newly formed investment holding entities with no substantive operations as the new holding companies of Guangzhou Jiumaojiu during the Relevant Periods. The Historical Financial Information has been prepared and presented as a continuation of the financial statements of Guangzhou Jiumaojiu with the assets and liabilities of Guangzhou Jiumaojiu recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for the Company, as it has not carried on any business since the date of incorporation and is investment holding company and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by the subsidiary	
JMJ Enterprises Limited (note (b))	British Virgin Islands ("BVI") 21/02/2019	USD1	100%	—	Investment Holding
JMJ Catering Holdings Limited (九毛九餐飲控股有限公司, "Jiumaojiu HK") (note (c))	Hong Kong 19/03/2019	HKD1	—	100%	Investment Holding
Jiumaojiu (Guangzhou) Holdings Limited (九毛九(廣州)控股有限公司, "JMJ Holdings") (note (a)(b)).	The PRC 27/05/2019	Nil	—	100%	Investment Holding
Guangzhou Jiumaojiu (廣州九毛九餐飲連鎖有限公司) (note (a)(b)(d)(g))	The PRC 30/08/2005	RMB180,000,000	—	100%	Restaurant operations and relevant delivery business
Beijing Jiumaojiu Restaurant Management Co., Ltd. (北京九毛九餐飲管理有限公司, "Beijing Jiumaojiu") (note (a)(b)(d))	The PRC 17/05/2012	RMB 10,000,000	—	100%	Restaurant operations and relevant delivery business
Shenzhen Maidian Jiumaojiu Restaurant Management Co., Ltd. (深圳市麥點九毛九餐飲管理有限公司) (note (a)(b)(d))	The PRC 22/10/2012	RMB20,000,000	—	100%	Restaurant operations and relevant delivery business
Haikou Maidian Jiumaojiu Restaurant Management Co., Ltd. (海口麥點九毛九餐飲管理有限公司) (note (a)(b)(d))	The PRC 24/10/2012	RMB6,000,000	—	100%	Restaurant operations and relevant delivery business

* The entity is a PRC limited liability company. The official name of this entity is in Chinese. The English translation of the name is for identification only.

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by the subsidiary	
Tianjin Maidian Jiumaojiu Restaurant Management Co., Ltd. (天津市麥點九毛九餐飲管理有限公司, "Tianjin Jiumaojiu") (note (a)(b)(d)).	The PRC 17/06/2013	RMB3,000,000	—	100%	Restaurant operations and relevant delivery business
Wuhan Maidian Jiumaojiu Restaurant Management Co., Ltd. (武漢市麥點九毛九餐飲管理有限公司, "Wuhan Jiumaojiu") (note (a)(b)).	The PRC 12/03/2014	RMB30,000,000	—	100%	Restaurant operations and relevant delivery business
Nanjing Jiumaojiu Restaurant Management Co., Ltd. (南京九毛九餐飲管理有限公司) (note (a)(b)(d)).	The PRC 22/12/2014	RMB30,000,000	—	100%	Restaurant operations and relevant delivery business
Guangzhou Tai Er Trading Co., Ltd. (廣州太二商貿有限公司, "Tai Er Trading") (note (a)(b))	The PRC 28/04/2015	RMB20,000	—	100%	Retail
Guangzhou Cong Xin Catering Co., Ltd. (廣州從心餐飲有限公司, "Cong Xin") (note (a)(b)(d)).	The PRC 19/06/2015	RMB3,920,000	—	80%	Restaurant operations and relevant delivery business
Guangzhou Tai Er Catering Chain Co., Ltd. (廣州太二餐飲連鎖有限公司, "Tai Er Catering") (note (a)(b)(d)(g)).	The PRC 25/01/2016	RMB23,000,000	—	85%	Restaurant operations
Guangzhou Pin Xin Yue Gu Enterprise Management Co., Ltd. (廣州品芯悅穀企業管理有限公司) (note (a)(b)).	The PRC 23/06/2016	RMB85,900,000	—	100%	Investment Holding
Guangzhou Double Eggs Catering Co., Ltd. (廣州兩顆雞蛋餐飲有限公司) (note (a)(b)(f))	The PRC 19/07/2016	RMB3,700,000	—	80%	Restaurant operations and relevant delivery business
Foshan Maidian Food Co., Ltd. (佛山市麥點食品有限公司, "Foshan Maidian") (note (a)(b)(d)(e)).	The PRC 23/08/2016	RMB50,000,000	—	100%	Food processing and central kitchens
Hainan Jiujiahong Catering Management Co., Ltd. (海南九久宏餐飲管理有限公司) (note (a)(b)(d)).	The PRC 01/09/2016	RMB2,000,000	—	85%	Restaurant operations and relevant delivery business
Shanghai Er You Catering Management Co., Ltd. (上海二有餐飲管理有限公司, "Shanghai Er You") (note (a)(b))	The PRC 30/09/2017	RMB30,000,000	—	100%	Restaurant operations
Too Two Hong Kong Restaurant Limited (香港太二餐飲有限公司) (note (c))	Hong Kong 24/04/2018	HKD1	—	100%	Restaurant operations and relevant delivery business
Guangzhou Mi Liang Ren Liang Catering Management Co., Ltd. (廣州米良人良餐飲管理有限公司) (note (a)(b)).	The PRC 11/05/2018	RMB200,000	—	100%	Restaurant operations and relevant delivery business
Guangzhou Happy Mouth Catering Management Co., Ltd. (廣州咧嘴餐飲管理有限公司) (note (a)(b))	The PRC 29/06/2018	RMB3,600,000	—	100%	Restaurant operations and relevant delivery business
Guangzhou Uncle Chef Catering Management Co., Ltd. (廣州那未大叔餐飲管理有限公司) (note (a)(b)).	The PRC 03/07/2018	RMB6,000,000	—	75%	Restaurant operations
Guangzhou Ruizhao Investment Co., Ltd. (廣州瑞兆投資有限公司) (note (a)(b))	The PRC 19/09/2018	Nil	—	85%	Investment Holding
Guangzhou Jinkai Catering Management Co., Ltd. (廣州金凱餐飲管理有限公司) (note (a)(b)).	The PRC 07/11/2018	RMB975,000	—	85%	Restaurant operations and relevant delivery business

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by the subsidiary	
Guangzhou Zhongxin Catering Management Co., Ltd. (廣州眾信餐飲管理有限公司) (note (a)(b))	The PRC 17/12/2018	RMB216,000	—	92%	Restaurant operations and relevant delivery business
Guangzhou Hongyuantai Catering Management Co., Ltd. (廣州鴻源太餐飲管理有限公司) (note (a)(b))	The PRC 18/12/2018	RMB1,095,000	—	85%	Restaurant operations and relevant delivery business
Guangzhou Baoying Catering Management Co., Ltd. (廣州寶盈餐飲管理有限公司) (note (a)(b))	The PRC 19/12/2018	Nil	—	85%	Restaurant operations and relevant delivery business
Beijing Jiujiufa Catering Management Co., Ltd. (北京九九發餐飲管理有限公司) (note (a)(b))	The PRC 02/01/2019	RMB15,000	—	85%	Restaurant operations and relevant delivery business
Shenzhen Fang Xing Wei Ai Catering Management Co., Ltd. (深圳市方興未艾餐飲管理有限公司) (note (a)(b))	The PRC 05/03/2019	Nil	—	100%	Restaurant operations and relevant delivery business
Foshan Maixuan Trading Co., Ltd. (佛山市麥旋商貿有限公司) (note (a)(b))	The PRC 11/03/2019	Nil	—	100%	Retail
Too Two Catering Inc. (note (c))	the United States 18/06/2019	Nil	—	100%	Restaurant operations

Notes:

- (a) The official names of these entities are in Chinese. The English translation of the names is for identification only.
- (b) These entities were not subject to statutory audit requirement under the relevant rules and regulations in the jurisdiction of incorporation.
- (c) No statutory financial statements have been prepared for these entities for the Relevant Periods.
- (d) The entities voluntarily prepared the audited financial statements for the year ended 31 December 2016 in accordance with the Accounting Standards for Business Enterprise applicable to the enterprise in the PRC (the "PRC GAAP"). The audited financial statements were audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)).
- (e) The entity voluntarily prepared the audited financial statements for the year ended 31 December 2017 in accordance with the PRC GAAP. The audited financial statements were audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)).
- (f) The entity voluntarily prepared the audited financial statements for the year ended 31 December 2017 in accordance with the PRC GAAP. The audited financial statements were audited by Guangzhou Erxiang Certified Public Accountants (General Partnership) (廣州而翔會計師事務所(普通合夥)).
- (g) The entities voluntarily prepared the audited financial statements for the year ended 31 December 2017 in accordance with the PRC GAAP. The audited financial statements were audited by Guangdong Zhongsui Certified Public Accountants Co., Ltd. (廣東中穗會計師事務所有限公司).

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group as at 31 December 2016, 2017 and 2018 and 30 June 2019. Based on future projection of the Group's profit and cash inflows from operations and the anticipated ability of the Group to renew or rollover its banking and other financing facilities to finance its continuing operations up to 31 December 2020, the directors are of the opinion that the Group has sufficient financial resources to continue as a going concern for the next twelve months from 30 December 2019 and there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs that are effective for the Relevant Periods, including IFRS 9, *Financial Instruments*, IFRS 15, *Revenue from contracts with customers* and IFRS 16, *Leases* consistently throughout the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2019 are set out in note 31.

The adoption of IFRS 9 and IFRS 15 did not have significant impact on the Group's financial position and performance throughout the Relevant Periods when compared to those that would have been presented under IAS 39, *Financial Instruments: Recognition and Measurement*, and IAS 18, *Revenue*.

IFRS 16 is effective for the accounting period beginning on or after 1 January 2019 and earlier application is permitted for entities that adopt IFRS 15 on or before the date of initial application of IFRS 16. The Group has elected to adopt IFRS 16 consistently throughout the Relevant Periods. The adoption of IFRS 16 primarily affects the Group's accounting as a lessee of leases for properties, plant and equipment which are classified as operating leases under IAS 17, *Leases*. Upon the adoption of IFRS 16, according to the accounting policies described in note 2(h), at the lease commencement date, the Group as a lessee recognises a right-of-use assets and a lease liabilities for all fixed-rate leases, except for short-term leases with lease term of 12 months or less and lease of low-value assets.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

Item included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "Functional Currency"). The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand except for earnings per share information. The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial assets measured at fair value through other comprehensive income (FVOCI) are stated at their fair value as explained in note 2(e).

(b) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(ii)).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment losses relating to the investment (see note 2(i)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss and other comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)).

(e) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are set out below.

All investments in equity instruments and contracts on those instruments must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 27(e). These investments are subsequently accounted for equity investments, depending on their classification.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold Improvement	Over the shorter of the lease term and 5 years
Kitchen equipment	5 years
Electronic equipment	5 years
Motor vehicles	5 years
Furniture and fixtures and other equipment	5 years

Both the useful life of an asset and its residual value, if any, are reviewed at each reporting period.

(g) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Software	5 years
------------	---------

Both the period and method of amortisation are reviewed each reporting period.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily apartments and electronic devices. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(f) and 2(i)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and presents lease liabilities separately in the statement of financial position.

(i) **Credit losses and impairment of assets**

(i) ***Credit losses from financial instruments***

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables);

Financial assets measured at fair value, including units in equity securities measured at FVPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 30 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(s)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment and right-of-use assets;
- intangible assets; and
- investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated at each reporting period whether or not there is any indication of impairment.

- *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the periods in which the reversals are recognised.

(j) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(s)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(s)).

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(i)(i).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(v)).

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contribution to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payments

The fair value of shares granted to employees is recognised as an employee cost with a corresponding increase in a share-based payments reserve within equity. The fair value is measured at grant date using the income approach model, taking into account the terms and conditions upon which the shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the share-based payments reserve).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group principally generates revenue from restaurant operations, delivery business, sales of specialities and franchise business. Revenue excludes value added tax or other sales taxes and is after deduction of other sales taxes or any trade discounts.

For restaurant operations and delivery business for which the control of services is transferred at a point in time, revenue is recognised when the related services have been rendered to customers.

Revenue from the sales of specialities for which the control of goods is transferred at a point in time, is recognised when the goods are delivered and title have passed.

For initial franchise fee arising from the franchise business, revenue is recognised over the time during the franchise period.

(ii) Management and service fee income

Management and service fee income is recognised when related services are rendered.

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, are translated into RMB at the closing foreign exchange rates at the end of each reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(u) Research and development expenses

Research and development expenses comprise all expenses that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Research and development expenses are recognised as expenses in the period in which they are incurred.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(w) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 27 contains information about the assumptions and their risk factors relating to fair value of financial assets. Other significant sources of estimation uncertainty in the process of applying the Group's accounting policies are as follows:

(a) Recognition of deferred tax assets

Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(b) Impairment of property, plant and equipment and right-of-use assets

Internal and external sources of information are reviewed at the end of each reporting period to assess whether there is any indication that property, plant and equipment and right-of-use assets may be impaired. If any such indication exists, the recoverable amount of the property, plant and equipment and right-of-use assets is estimated. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future periods.

(c) Depreciation

Property, plant and equipment, and right-of-use assets, are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

(d) Provision for restoration costs

As explained in note 22, the Group makes provision for restoration costs based on the best estimate of the expected costs to be incurred upon expiry of the respective rental agreements, which are subject to uncertainty and might differ from the actual costs incurred. Any increase or decrease in the provision would affect profit or loss in future periods.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are restaurant operations, delivery business and sales of specialities in the PRC.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	Years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Restaurant operations.	1,133,363	1,352,384	1,688,503	784,734	1,117,084
Delivery business	24,411	104,831	188,960	83,251	106,014
Sales of specialities . .	1,506	1,709	949	335	697
Others	4,976	10,259	14,409	6,171	13,343
	<u>1,164,256</u>	<u>1,469,183</u>	<u>1,892,821</u>	<u>874,491</u>	<u>1,237,138</u>
Disaggregated by timing of revenue recognition					
— Point in time	1,164,256	1,469,183	1,892,821	874,491	1,237,032
— Over the time (Note)	—	—	—	—	106
	<u>1,164,256</u>	<u>1,469,183</u>	<u>1,892,821</u>	<u>874,491</u>	<u>1,237,138</u>

Note: Initial franchise fee was recognised as revenue over the time during the franchise period.

No revenue from individual customer contributing over 10% of total revenue of the Group for the Relevant Periods.

(ii) Revenue expected to be recognised in the future arising from contracts in existence at the reporting date

Contracts within the scope of IFRS 15

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is nil, nil, nil and RMB728,000, respectively. This amount represents revenue of initial franchise fee expected to be recognised in the future from franchise contracts entered into by the franchisees with the Group. The Group will recognise the expected revenue in future over the remaining franchise period, which is expected to occur over the next 30 to 36 months.

(b) Segment Reporting

The Group manages its businesses by restaurant brands. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments.

- Jiu Mao Jiu: this segment operates restaurants and delivery business offering family-oriented food under Jiu Mao Jiu brand.
- Tai Er: this segment operates restaurants featuring sauerkraut fish under Tai Er Chinese Sauerkraut Fish brand.
- Others: this segment includes restaurants operating in other brands such as Double Eggs, Cooking Spicy Kehab, Uncle Chef, Bravo Sirloin, Coconut House and Happy Mouth, as well as franchise business of Double Eggs.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in associates, other non-current financial assets, deferred tax assets and other head office or corporate assets. Segment liabilities include lease liabilities, provisions, trade and other receivables, trade and other payables and contract liabilities attributable to the restaurant operations activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits/losses of associates and listing expenses.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning inter segment sales, the group's share of the associates' profits, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the Relevant Periods is set out below.

	Jiu Mao Jiu				
	Years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Reportable segment revenue					
Revenue from external customers	1,092,329	1,203,566	1,334,045	645,254	682,790
Reportable segment profit (adjusted EBITDA)	294,201	309,859	324,964	168,252	198,493
Interest income	1,102	1,495	1,746	764	910
Interest expense	(46,306)	(42,887)	(40,112)	(18,770)	(17,856)
Depreciation and amortisation	(168,487)	(178,728)	(172,131)	(85,154)	(93,960)
Impairment losses of property, plant and equipment and right-of-use assets	(577)	(226)	(6,773)	—	—
Reportable segment assets	744,247	707,480	734,027	730,098	802,448
Changes to non-current segment assets during the year/period	(29,108)	(56,631)	(859)	36,952	550
Reportable segment liabilities	637,861	605,316	630,856	621,396	684,732
	Tai Er				
	Years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Reportable segment revenue					
Revenue from external customers	67,810	244,025	540,232	218,067	538,109
Reportable segment profit (adjusted EBITDA)	8,978	43,852	90,569	46,615	139,761
Interest income	46	142	539	164	545
Interest expense	(2,537)	(7,735)	(16,987)	(4,761)	(10,247)
Depreciation and amortisation	(5,279)	(21,700)	(56,338)	(21,034)	(54,250)
Reportable segment assets	56,091	167,567	373,511	264,307	535,834
Changes to non-current segment assets during the year/period	51,458	90,968	183,517	84,064	272,272
Reportable segment liabilities	45,122	123,669	298,845	195,400	375,990

	Others				
	Years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)				
Reportable segment revenue					
Revenue from external customers	4,117	21,592	18,544	11,170	16,239
Reportable segment (loss)/profit (adjusted EBITDA)	(1,364)	3,376	(9,927)	(2,856)	(9,686)
Interest income	59	118	198	81	139
Interest expense	(637)	(1,224)	(1,162)	(334)	(956)
Depreciation and amortisation	(975)	(4,403)	(7,716)	(5,767)	(5,584)
Impairment losses of property, plant and equipment and right-of-use assets	—	(1,794)	(493)	—	—
Reportable segment assets	18,938	21,462	27,865	17,458	40,228
Changes to non-current segment assets during the year/period	13,546	1,374	4,384	(4,508)	9,730
Reportable segment liabilities	25,560	11,781	32,512	15,027	53,761
	Total				
	Years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)				
Reportable segment revenue					
Revenue from external customers	1,164,256	1,469,183	1,892,821	874,491	1,237,138
Reportable segment profit (adjusted EBITDA)	301,815	357,087	405,606	212,011	328,568
Interest income	1,207	1,755	2,483	1,009	1,594
Interest expense	(49,480)	(51,846)	(58,261)	(23,865)	(29,059)
Depreciation and amortisation	(174,741)	(204,831)	(236,185)	(111,955)	(153,794)
Impairment losses of property, plant and equipment, right-of-use assets	(577)	(2,020)	(7,266)	—	—
Reportable segment assets	819,276	896,509	1,135,403	1,011,863	1,378,510
Changes to non-current segment assets during the year/period	35,896	35,711	187,042	116,508	282,552
Reportable segment liabilities	708,543	740,766	962,213	831,823	1,114,483

(ii) Reconciliations of reportable segment profit or loss, assets and liabilities

	Years ended 31 December			Six months ended 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (unaudited)	2019 RMB'000
Profit					
Reportable segment profit (adjusted EBITDA)	301,815	357,087	405,606	212,011	328,568
Share of (losses)/ profits of associates	(1,116)	(671)	(1,996)	(1,309)	1,087
Interest income	1,207	1,755	2,483	1,009	1,594
Finance costs	(49,480)	(51,846)	(58,261)	(23,865)	(29,059)
Depreciation and amortisation	(174,741)	(204,831)	(236,185)	(111,955)	(153,794)
Impairment losses of non-current assets	(1,981)	(2,020)	(7,266)	—	—
Listing expenses	—	—	—	—	(9,850)
Consolidated profit before taxation	<u>75,704</u>	<u>99,474</u>	<u>104,381</u>	<u>75,891</u>	<u>138,546</u>
Assets					
Reportable segment assets	819,276	896,509	1,135,403		1,378,510
Elimination of inter-segment receivables	(15,123)	(16,135)	(24,486)		(63,094)
Investments in associates	—	3,854	3,931		5,018
Other non-current financial assets	4,642	13,740	12,938		12,938
Deferred tax assets	30,840	37,896	52,042		57,328
Unallocated head office and corporate assets	8,168	6,555	7,141		7,438
Consolidated total assets	<u>847,803</u>	<u>942,419</u>	<u>1,186,969</u>		<u>1,398,138</u>
Liabilities					
Reportable segment liabilities	708,543	740,766	962,213		1,114,483
Elimination of inter-segment payables	(15,123)	(16,135)	(24,486)		(63,094)
Current taxation	6,413	7,667	12,313		26,371
Unallocated head office and corporate liabilities	700	2,940	33,360		183,621
Consolidated total liabilities	<u>700,533</u>	<u>735,238</u>	<u>983,400</u>		<u>1,261,381</u>

(iii) Geographic information

Analysis of the Group's revenue and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as 100% of the Group's operating profit is derived from activities in the PRC during the Relevant Periods.

5 OTHER REVENUE

	Years ended 31 December			Six months ended 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (unaudited)	2019 RMB'000
Interest income on:					
— bank deposits	179	271	464	202	433
— rental deposits	887	1,220	1,714	724	995
— other financial assets	141	264	305	83	166
	<u>1,207</u>	<u>1,755</u>	<u>2,483</u>	<u>1,009</u>	<u>1,594</u>
Government grants (Note (i))	238	500	100	—	312
	<u>1,445</u>	<u>2,255</u>	<u>2,583</u>	<u>1,009</u>	<u>1,906</u>

Note (i): Government grants mainly represented unconditional cash awards granted by the government authorities in the PRC.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Years ended 31 December			Six months ended 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (unaudited)	2019 RMB'000
(a) Finance costs					
Interest on bank loans (note 18(c))	2,116	1,483	1,006	416	1,818
Interest on lease liabilities (note 21)	46,295	49,124	55,758	22,794	26,560
Interest on provisions (note 22)	1,069	1,239	1,497	655	681
	<u>49,480</u>	<u>51,846</u>	<u>58,261</u>	<u>23,865</u>	<u>29,059</u>
(b) Staff costs (including directors' emoluments)					
Salaries, wages and other benefits	319,824	390,768	510,191	233,853	310,382
Contributions to defined contribution retirement plan .	4,189	5,770	8,498	3,724	5,237
Equity-settled share-based payment expenses (note 25)	3,701	3,689	4,790	1,947	4,454
	<u>327,714</u>	<u>400,227</u>	<u>523,479</u>	<u>239,524</u>	<u>320,073</u>
(c) Other items					
Amortisation (note 12)	988	1,194	1,226	584	677
Depreciation (note 11)					
— property, plant and equipment	63,785	75,014	80,119	38,133	48,562
— right-of-use assets	109,968	128,623	154,840	73,238	104,555
	<u>173,753</u>	<u>203,637</u>	<u>234,959</u>	<u>111,371</u>	<u>153,117</u>
Impairment losses					
— property, plant and equipment (note 11)	502	1,775	3,837	—	—
— right-of-use assets (note 11)	75	245	3,429	—	—
— investments in associates (note 14)	1,404	—	—	—	—
	<u>1,981</u>	<u>2,020</u>	<u>7,266</u>	<u>—</u>	<u>—</u>
Listing expenses	—	—	—	—	9,850
Utilities expenses	73,385	79,657	93,776	44,414	50,456
Other rentals and related expenses	5,998	9,214	29,130	13,288	21,460
Cost of inventories* (note 16(b))	<u>387,124</u>	<u>522,399</u>	<u>694,009</u>	<u>306,617</u>	<u>435,002</u>

	Years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(d) Other net (losses)/income					
Losses on restaurants closures	(5,748)	(2,827)	(1,411)	(1,184)	(2,249)
Gains on reassessment of right-of-use assets and lease liabilities	1,041	3,203	3,022	3,022	305
Losses on disposal of equity securities	—	—	(1,000)	(1,000)	—
Others	(737)	(961)	597	41	55
	<u>(5,444)</u>	<u>(585)</u>	<u>1,208</u>	<u>879</u>	<u>(1,889)</u>

* Cost of inventories includes RMB20,705,000, RMB26,953,000, RMB36,978,000, RMB17,316,000 and RMB18,371,000 for the years ended 31 December 2016, 2017 and 2018 and for the six months ended 30 June 2018 and 2019, respectively, relating to "staff costs", "depreciation and amortisation expenses", which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax					
Provision for the year/period	28,146	34,883	44,679	25,858	41,795
Deferred tax					
Origination and reversal of accumulated tax loss and temporary differences (note 24(b))	(3,728)	(7,056)	(14,146)	(4,355)	(5,286)
	<u>24,418</u>	<u>27,827</u>	<u>30,533</u>	<u>21,503</u>	<u>36,509</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	75,704	99,474	104,381	75,891	138,546
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	19,981	25,283	25,996	18,972	34,996
Effect of non-deductible expenses	1,290	1,187	1,613	381	1,413
Tax effect of unused tax losses not recognised	2,976	1,201	1,650	1,711	475
Effect of deductible temporary differences not recognised.	681	1,158	1,927	1,185	890
Tax effect of using the deductible losses for which no deferred tax asset was recognised in previous years	—	—	—	—	(483)
Effect of using deductible temporary differences not recognised	(469)	(951)	(487)	(720)	(376)
Super deduction on salary payment for the disabled	(41)	(51)	(53)	(26)	(83)
Effect of non-taxable income	—	—	(113)	—	(323)
Actual tax expenses	24,418	27,827	30,533	21,503	36,509

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The provision for Hong Kong Profits Tax for the years ended 31 December 2016 and 2017 and 2018 and for the six months ended 30 June 2018 and 2019 is calculated at 16.5% of the estimated assessable profits for the respective periods, except for one subsidiary of the group which is a qualifying corporation under the two-tiered Profits Tax rate regime. The two-tiered Profits Tax rate regime is applicable to year of assessment commencing on or after 1 April 2018. For this subsidiary, the first HKD2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The subsidiaries in Hong Kong of the Group did not have any assessable profits for the Relevant Periods.

- (iii) Taxable income for the subsidiaries of the Company in the PRC are subject to PRC income tax rate of 25% for the Relevant Periods, unless otherwise specified below.

Wuhan Jiumaojiu was calculated at a verification rate of 8% based on revenue generated from this entity from 1 January 2016 to 30 September 2017.

Tai Er Catering was calculated at a verification rate of 13% based on revenue generated from this entity from 1 January 2016 to 30 June 2016.

Beijing Jiumaojiu and Foshan Maidian met the criteria for preferential income tax rate granted to small and low profit-making enterprise in the PRC, and were entitled to the preferential income tax rate of 10% from 2017 to 2018.

Tianjin Jiumaojiu met the criteria for preferential income tax rate granted to small and low profit-making enterprise in the PRC, and was entitled to the preferential income tax rate of 10% in 2018.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments as recorded in the Historical Financial Information are set out below:

	Year ended 31 December 2016						
	Directors' and supervisors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman							
Mr. Guan	—	487	—	11	498	—	498
Executive directors							
Mr. Li Zhuoguang	—	435	54	16	505	166	671
Ms. Cui Longyu	—	364	38	20	422	95	517
Independent non-executive directors							
Mr. Zhong Weibin	50	—	—	—	50	—	50
Mr. Deng Tao	60	—	—	—	60	—	60
Total	<u>110</u>	<u>1,286</u>	<u>92</u>	<u>47</u>	<u>1,535</u>	<u>261</u>	<u>1,796</u>
	Year ended 31 December 2017						
	Directors' and supervisors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman							
Mr. Guan	—	739	—	17	756	—	756
Executive directors							
Mr. Li Zhuoguang	—	466	32	16	514	166	680
Ms. Cui Longyu	—	426	54	20	500	95	595
Independent non-executive directors							
Mr. Zhong Weibin	60	—	—	—	60	—	60
Mr. Deng Tao	60	—	—	—	60	—	60
Total	<u>120</u>	<u>1,631</u>	<u>86</u>	<u>53</u>	<u>1,890</u>	<u>261</u>	<u>2,151</u>
	Year ended 31 December 2018						
	Directors' and supervisors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman							
Mr. Guan	—	821	—	17	838	—	838
Executive directors							
Mr. Li Zhuoguang	—	564	—	16	580	166	746
Ms. Cui Longyu	—	500	70	20	590	225	815
Independent non-executive directors							
Mr. Zhong Weibin	70	—	—	—	70	—	70
Mr. Deng Tao	70	—	—	—	70	—	70
Total	<u>140</u>	<u>1,885</u>	<u>70</u>	<u>53</u>	<u>2,148</u>	<u>391</u>	<u>2,539</u>

Six months ended 30 June 2018 (unaudited)

	Directors' and supervisors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman							
Mr. Guan	—	411	—	8	419	—	419
Executive directors							
Mr. Li Zhuoguang	—	268	—	8	276	82	358
Ms. Cui Longyu	—	228	35	10	273	61	334
Independent non-executive directors							
Mr. Zhong Weibin	30	—	—	—	30	—	30
Mr. Deng Tao	30	—	—	—	30	—	30
Total	<u>60</u>	<u>907</u>	<u>35</u>	<u>26</u>	<u>1,028</u>	<u>143</u>	<u>1,171</u>

Six months ended 30 June 2019

	Directors' and supervisors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman							
Mr. Guan	—	410	—	8	418	—	418
Executive directors							
Mr. Li Zhuoguang	—	252	—	8	260	82	342
Ms. Cui Longyu	—	304	—	10	314	161	475
Independent non-executive directors							
Mr. Zhong Weibin	30	—	—	—	30	—	30
Mr. Deng Tao	60	—	—	—	60	—	60
Total	<u>90</u>	<u>966</u>	<u>—</u>	<u>26</u>	<u>1,082</u>	<u>243</u>	<u>1,325</u>

Notes:

- (a) Mr. Guan was appointed as Chairman of the Company on 1 February 2019. He is the founder and key management personnel of the Group during the Relevant Periods and his remuneration disclosed above include those for services rendered by him as key management personnel.
- (b) Mr. Li Zhuoguang and Ms. Cui Longyu were appointed as executive directors of the Company on 1 February 2019 and 22 May 2019 respectively. They are key management personnel of the Group during the Relevant Periods and their remuneration disclosed above include those for services rendered by them as key management personnel.
- (c) Mr. Zhong Weibin was appointed as independent non-executive director of the Company on 12 August 2019. He was the independent director of Guangzhou Jiumaojiu from March 2016 to May 2019 during the Relevant Periods and his remuneration disclosed above include those for services rendered by him as independent director.
- (d) Mr. Deng Tao was appointed as independent non-executive director of the Company on 12 August 2019. He was the independent director of Guangzhou Jiumaojiu from October 2015 to May 2019 during the Relevant Periods and his remuneration disclosed above include those for services rendered by him as independent director.
- (e) Mr. Zou Dinghang and Mr. Ivan Xu were appointed as independent non-executive directors of the Company on 9 August 2019 and 12 August 2019 respectively.
- (f) Certain directors of the Company received emoluments from the companies now comprising the Group during the Relevant Periods which were included in staff costs as disclosed in note 6(b).

- (g) During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, of the five individuals with the highest emoluments, three, three, three, three and two are directors whose emoluments are disclosed in note 8.

The aggregate of the emoluments in respect of the other two, two, two, two and three individuals are as follows:

	Years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and other emoluments	998	1,070	1,033	611	635
Discretionary bonuses	452	156	48	24	—
Share-based payments	1,666	1,661	1,682	826	2,610
Retirement scheme contributions	19	19	17	9	18
	<u>3,135</u>	<u>2,906</u>	<u>2,780</u>	<u>1,470</u>	<u>3,263</u>

The emoluments of the two, two, two, two and three individuals with the highest emoluments are within the following bands:

	Years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	Number of individuals	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals
Nil — HKD1,000,000	1	1	1	1	2
HKD1,000,001 — HKD1,500,000	—	—	—	1	—
HKD1,500,001 — HKD2,000,000	—	—	—	—	—
HKD2,000,001 — HKD2,500,000	—	—	1	—	—
HKD2,500,001 — HKD3,000,000	<u>1</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>1</u>

10 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and presentation of the results for the Relevant Periods using the basis of preparation and presentation as disclosed in note 1.

11 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Reconciliation of carrying amount

	Property — Right-of-use assets	Kitchen equipment — Right-of-use assets	Subtotal	Leasehold Improvement- Owned	Kitchen equipment- Owned	Electronic Equipment- Owned	Motor Vehicles- Owned	Furniture and Fixtures and Other Equipment- Owned	Construction in progress- Owned	Subtotal	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:											
At 1 January 2016	591,337	—	591,337	210,708	45,569	46,659	2,336	21,603	9,799	336,674	928,011
Additions	134,375	—	134,375	23,979	10,332	4,937	907	4,483	39,899	84,537	218,912
Transfer	—	—	—	23,750	18,558	—	259	713	(43,280)	—	—
Disposals	(2,523)	—	(2,523)	(19,262)	(2,160)	(2,480)	(337)	(1,165)	—	(25,404)	(27,927)
Transfer to intangible assets	—	—	—	—	—	—	—	—	(2,892)	(2,892)	(2,892)
At 31 December 2016 and 1 January 2017	723,189	—	723,189	239,175	72,299	49,116	3,165	25,634	3,526	392,915	1,116,104
Additions	178,086	684	178,770	20,443	3,797	5,005	68	3,816	39,686	72,815	251,585
Transfer	—	—	—	26,874	7,199	22	—	2,493	(36,588)	—	—
Disposals	(53,434)	—	(53,434)	(12,574)	(5,552)	(2,721)	(133)	(2,545)	—	(23,525)	(76,959)
Transfer to intangible assets	—	—	—	—	—	—	—	—	(773)	(773)	(773)
At 31 December 2017 and 1 January 2018	847,841	684	848,525	273,918	77,743	51,422	3,100	29,398	5,851	441,432	1,289,957
Additions	285,429	4,021	289,450	38,204	11,593	8,053	24	11,953	67,841	137,668	427,118
Transfer	—	—	—	50,645	13,089	554	—	—	(64,288)	—	—
Disposals	(38,636)	—	(38,636)	(24,639)	(6,083)	(4,081)	(118)	(3,547)	—	(38,468)	(77,104)
Transfer to intangible assets	—	—	—	—	—	—	—	—	(1,221)	(1,221)	(1,221)
At 31 December 2018 and 1 January 2019	1,094,634	4,705	1,099,339	338,128	96,342	55,948	3,006	37,804	8,183	539,411	1,638,750
Additions	185,864	661	186,525	22,575	11,253	3,654	60	5,460	21,387	64,389	250,914
Transfer	—	—	—	17,399	4,495	439	—	1,347	(23,680)	—	—
Disposals	(40,599)	—	(40,599)	(24,852)	(5,559)	(3,714)	—	(2,587)	—	(36,712)	(77,311)
Transfer to intangible assets	—	—	—	—	—	—	—	—	(241)	(241)	(241)
At 30 June 2019	1,239,899	5,366	1,245,265	353,250	106,531	56,327	3,066	42,024	5,649	566,847	1,812,112
Accumulated depreciation:											
At 1 January 2016	173,607	—	173,607	65,729	14,329	12,919	615	5,394	—	98,986	272,593
Charge for the year	109,968	—	109,968	41,260	9,489	8,670	316	4,050	—	63,785	173,753
Written back on disposals	(2,295)	—	(2,295)	(4,975)	(1,339)	(1,092)	(192)	(672)	—	(8,270)	(10,565)
At 31 December 2016 and 1 January 2017	281,280	—	281,280	102,014	22,479	20,497	739	8,772	—	154,501	435,781
Charge for the year	128,499	124	128,623	48,893	13,103	7,865	458	4,695	—	75,014	203,637
Written back on disposals	(40,386)	—	(40,386)	(9,406)	(3,735)	(1,775)	(111)	(1,328)	—	(16,355)	(56,741)
At 31 December 2017 and 1 January 2018	369,393	124	369,517	141,501	31,847	26,587	1,086	12,139	—	213,160	582,677
Charge for the year	153,747	1,093	154,840	53,363	13,395	7,614	425	5,322	—	80,119	234,959
Written back on disposals	(24,696)	—	(24,696)	(20,848)	(4,448)	(3,155)	(69)	(2,687)	—	(31,207)	(55,903)
At 31 December 2018 and 1 January 2019	498,444	1,217	499,661	174,016	40,794	31,046	1,442	14,774	—	262,072	761,733
Charge for the period	103,686	869	104,555	30,315	10,144	4,032	219	3,852	—	48,562	153,117
Written back on disposals	(40,304)	—	(40,304)	(19,129)	(3,770)	(2,943)	—	(1,958)	—	(27,800)	(68,104)
At 30 June 2019	561,826	2,086	563,912	185,202	47,168	32,135	1,661	16,668	—	282,834	846,746
Impairment:											
At 1 January 2016	21,693	—	21,693	17,583	2,926	3,050	—	1,493	—	25,052	46,745
Addition	75	—	75	94	234	104	—	70	—	502	577
Written back on disposals	—	—	—	(10,364)	(2,222)	(985)	—	(669)	—	(14,240)	(14,240)
At 31 December 2016 and 1 January 2017	21,768	—	21,768	7,313	938	2,169	—	894	—	11,314	33,082
Addition	245	—	245	1,316	274	88	—	97	—	1,775	2,020
Written back on disposals	—	—	—	(570)	(210)	(67)	—	(74)	—	(921)	(921)
At 31 December 2017 and 1 January 2018	22,013	—	22,013	8,059	1,002	2,190	—	917	—	12,168	34,181
Addition	3,429	—	3,429	2,618	728	233	—	258	—	3,837	7,266
Written back on disposals	—	—	—	(4,470)	(1,330)	(426)	—	(472)	—	(6,698)	(6,698)
At 31 December 2018 and 1 January 2019	25,442	—	25,442	6,207	400	1,997	—	703	—	9,307	34,749
Written back on disposals	—	—	—	(4,015)	(382)	(1,243)	—	(459)	—	(6,079)	(6,079)
At 30 June 2019	25,442	—	25,442	2,192	38	754	—	244	—	3,228	28,670
Net Book Value:											
At 30 June 2019	652,631	3,280	655,911	165,856	59,325	23,438	1,405	25,112	5,649	280,785	936,696
At 31 December 2018	570,748	3,488	574,236	157,905	55,148	22,905	1,564	22,327	8,183	268,032	842,268
At 31 December 2017	456,435	560	456,995	124,358	44,894	22,645	2,014	16,342	5,851	216,104	673,099
At 31 December 2016	420,141	—	420,141	129,848	48,882	26,450	2,426	15,968	3,526	227,100	647,241

All of the property, plant and equipment owned by the Group are located in the PRC.

Impairment loss

The recoverable amount of each restaurant (cash-generating unit ("CGU")) with indication of impairment is estimated at the end of each reporting period. As at the end of each reporting period, in view of the unfavourable future prospects of certain restaurants, there was indication that the CGUs may suffer an impairment loss. The management of the Group has conducted impairment testing. The recoverable amount of each CGU is determined based on value-in-use calculations by preparing cash flow projections of the relevant CGU derived from the most recent financial forecast approved by the management covering the remaining lease term. The cash flows are discounted using a discount rate of 9.98%. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU.

As at 31 December 2016, 2017 and 2018, the carrying amount of certain CGUs exceeds their recoverable amount, therefore, an impairment loss of RMB577,000, RMB2,020,000 and RMB7,266,000, which was allocated to the assets including right-of-use assets, leasehold improvement and other equipment within the CGU on a pro rata basis, was recognised in profit or loss in the "Other expenses" in the consolidated statement of profit or loss and other comprehensive income. As at 30 June 2019, there was no indication of possible impairment for each CGU, therefore, no impairment loss was recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income.

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Property — Right-of-use assets, carried at depreciated cost (note (i))	420,141	456,435	570,748	652,631
Kitchen equipment — Right-of-use assets, carried at depreciated cost (note (ii)). . .	—	560	3,488	3,280
	<u>420,141</u>	<u>456,995</u>	<u>574,236</u>	<u>655,911</u>

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Depreciation charge of right-of-use assets by class of underlying asset:					
Property — Right-of-use assets	109,968	128,499	153,747	72,933	103,686
Kitchen equipment — Right-of-use assets.	—	124	1,093	305	869
	<u>109,968</u>	<u>128,623</u>	<u>154,840</u>	<u>73,238</u>	<u>104,555</u>
Interest on lease liabilities (note 6(a))	46,295	49,124	55,758	22,794	26,560
Expense relating to short-term leases, expense relating to leases of low-value assets (excluding short-term leases of low-value assets) and variable lease payments not included in the measurement of lease liabilities	5,998	9,214	29,130	13,288	21,460

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(c) and 21, respectively.

Notes:

(i) *Property — Right-of-use assets*

The Group has obtained the right to use properties as its restaurants through tenancy agreements. The leases typically run for an initial period of 1 to 5 years.

(ii) *Kitchen equipment — Right-of-use assets*

The Group leases certain kitchen equipment under leases expiring from 1 to 5 years.

(iii) *Rental deposits*

The refundable rental deposit itself is not part of the lease payments and is in the scope of IFRS 9. Therefore, the rental deposit should be measured at fair value on initial recognition. The difference between the initial fair value and the nominal value of the deposit is an additional lease payment made by the Group and it is included in the measurement of the right-of-use assets.

12 INTANGIBLE ASSETS

	Software RMB'000
Cost:	
At 1 January 2016	2,414
Purchases	191
Transferred from construction in progress	2,892
At 31 December 2016 and 1 January 2017	<u>5,497</u>
Purchases	414
Transferred from construction in progress	773
At 31 December 2017 and 1 January 2018	<u>6,684</u>
Purchases	82
Transferred from construction in progress	1,221
At 31 December 2018 and 1 January 2019	<u>7,987</u>
Purchases	226
Transferred from construction in progress	241
At 30 June 2019	<u>8,454</u>
Accumulated amortisation:	
At 1 January 2016	1,011
Charge for the year	988
At 31 December 2016 and 1 January 2017	<u>1,999</u>
Charge for the year	1,194
At 31 December 2017 and 1 January 2018	<u>3,193</u>
Charge for the year	1,226
At 31 December 2018 and 1 January 2019	<u>4,419</u>
Charge for the period	677
At 30 June 2019	<u>5,096</u>
Net book value:	
At 30 June 2019	<u>3,358</u>
At 31 December 2018	<u>3,568</u>
At 31 December 2017	<u>3,491</u>
At 31 December 2016	<u>3,498</u>

13 INVESTMENT IN A SUBSIDIARY

The Company

	As at 30 June 2019
	RMB'000
Investment in a subsidiary, at cost	— *

* The balance represents amount less than RMB1,000.

The Company's investment in a subsidiary was USD1, equivalent to RMB7.

Further details of the subsidiaries of the Group are set out in note 1.

The following table lists out the information relating to the subsidiaries of the Group which has a material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Shanghai Er You				Tai Er Catering			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2016	2017	2018	2019	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
NCI percentage	—	25%	15%	15%	25%	25%	15%	15%
Current assets	—	1,764	4,376	46,859	4,634	23,377	41,042	70,842
Non-current assets	—	28,478	73,304	91,776	52,367	121,351	287,121	362,282
Current liabilities	—	5,371	929	35,067	8,148	9,385	49,452	34,308
Non-current liabilities	—	24,502	55,477	68,925	37,860	87,178	190,505	246,157
Net assets	—	369	21,274	34,643	10,993	48,165	88,206	152,659
Carrying amount of NCI	—	(908)	(934)	696	2,748	12,041	13,231	22,899
Revenue	—	732	52,585	78,173	31,449	203,995	464,489	439,321
(Loss)/profit for the year/period	—	(3,631)	(2,595)	10,868	992	24,173	40,040	64,454
Total comprehensive income	—	(3,631)	(2,595)	10,868	992	24,173	40,040	64,454
(Loss)/profit allocated to NCI	—	(908)	(545)	1,630	248	6,043	7,111	9,668
Cash flows (used in)/generated from operating activities	—	(636)	(1,397)	15,112	7,756	25,668	116,137	83,517
Cash flows used in investing activities	—	(2,317)	(15,331)	(6,869)	(13,027)	(24,755)	(68,276)	(32,119)
Cash flows generated from/(used in) financing activities	—	3,422	16,388	(8,349)	4,791	271	(29,570)	(32,282)

14 INVESTMENTS IN ASSOCIATES

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investments in associates	2,520	7,045	9,118	9,118
Share of losses	(1,116)	(1,787)	(3,783)	(2,696)
Impairment losses	(1,404)	(1,404)	(1,404)	(1,404)
	—	3,854	3,931	5,018

The following list contains the particulars of associates, which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and Paid-up capital	Proportion of ownership interest and voting rights held by the Group as at				Principal activities
				31 December 2016	31 December 2017	31 December 2018	30 June 2019	
Guangzhou Jiang Er Dai Catering Co., Ltd. (廣州疆二代餐飲有限公司, "Jiang Er Dai") (note (i))	Incorporated	The PRC	RMB280,000	30%	30%	30%	30%	Restaurant operations and relevant delivery business, mainly providing Xinjiang-style cuisine
Guangzhou Hun Fan Chi Catering Management Co., Ltd. (廣州混飯吃餐飲管理有限公司, "Hun Fan Chi") (note (i), (ii)).	Incorporated	The PRC	RMB744,048	—	15%	15%	15%	Restaurant operations and relevant delivery business, mainly providing Chaoshan flavour cuisine
TOO TWO GOURMET INC.	Incorporated	Canada	CAD100	—	—	40%	40%	Restaurant operating in Canada

Note:

- (i) The official names of these entities are in Chinese. The English translation of the names is for identification only.
- (ii) The Group has nominated one director out of a total of five directors on the board of the entity and in the opinion of the directors of the Company, the Group can exercise significant influence on the financial and operating policy decision of the entity.

The above associates are accounted for using the equity method in the Historical Financial Information.

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Gross amounts of the associates				
Aggregate carrying amount of individually immaterial associates in the Historical Financial Information	—	3,854	3,931	5,018
Aggregate amounts of the Group's share of those associates'				
— (Losses)/profits and total comprehensive income from continuing operations	(1,116)	(671)	(1,996)	1,087
— Impairment losses	(1,404)	—	—	—

15 OTHER NON-CURRENT FINANCIAL ASSETS

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Equity securities designated at FVOCI (non-recycling)				
— Unlisted equity securities	4,642	13,740	12,938	12,938

Other non-current financial assets of the Group represented unlisted equity investments in several entities. The entities are incorporated in the PRC and engaged in investing, catering, or food and beverage industry. The Group designated its investments in unlisted equity securities at FVOCI (non-recycling), as the investments are held for strategic purposes.

For the year ended 31 December 2018, dividend of RMB69,000 was received from an invested entity.

For the year ended 31 December 2018, the Group recognised a disposal loss of RMB1,000,000 for an investment in an entity.

16 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Condiment product	1,287	1,411	2,474	3,017
Food ingredients	16,527	28,053	26,466	32,732
Beverage	206	249	321	604
Other materials	2,400	3,313	7,126	7,893
	<u>20,420</u>	<u>33,026</u>	<u>36,387</u>	<u>44,246</u>

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Carrying amount of inventories sold	384,058	512,510	671,860	295,333	435,002
Other inventories losses (note)	3,066	9,889	22,149	11,284	—
	<u>387,124</u>	<u>522,399</u>	<u>694,009</u>	<u>306,617</u>	<u>435,002</u>

Note:

Inventories losses resulting from misappropriation of assets of RMB3,066,000, RMB9,889,000, RMB22,149,000 and RMB11,284,000 and nil were recognised as expense and included in profit or loss for the years ended 31 December 2016, 2017 and 2018 and for the six months ended 30 June 2018 and 2019, respectively.

During the Relevant Period, a former procurement supervisor ("the employee") of the Group abused his position of right to advance the payment to suppliers and delay recognition of inventories, and exploited the control deficiencies of the procurement process for misappropriation of inventory. Upon identifying this misappropriation of inventory in 2018, the Group appointed the independent third party to carry out an independent investigation. With the reference to the investigation results done by the independent third party, management has completed the internal investigation and has recognised inventory losses in corresponding periods as the likelihood to recover the losses is remote. In the opinion of directors, the directors confirmed that this incident of misappropriation of inventory was an isolated case.

17 TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade debtors	9,279	12,016	16,792	27,289
Other receivables, deposits and prepayments	60,660	67,535	88,145	110,011
Amounts due from related parties (note 29(d))	15,116	16,512	19,539	21,134
	<u>85,055</u>	<u>96,063</u>	<u>124,476</u>	<u>158,434</u>

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis:

As at the end of each Relevant Periods, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the revenue recognition date, is as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	9,279	12,016	16,792	27,289

Trade debtors are due within 30 days from the date of revenue recognition. Further details on the Group's credit policy are set out in note 27(a).

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION**(a) Cash and cash equivalents comprise:**

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	1,731	658	39	92
Cash at bank	35,402	53,369	65,716	133,693
Less: restricted bank deposits . .	(4,005)	(1,605)	(6,003)	(8,019)
	<u>33,128</u>	<u>52,422</u>	<u>59,752</u>	<u>125,766</u>

As at 31 December 2016, 2017 and 2018 and 30 June 2019, restricted bank deposits of RMB4,000,000, RMB1,600,000, RMB6,000,000 and RMB6,000,000 were pledged as securities for bank loans.

As at 30 June 2019, restricted bank deposit of RMB2,016,000 was frozen for an unsettled lawsuit of the Group and has been released as at the date of this report due to the settlement of the lawsuit.

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Years ended 31 December			Six months ended 30 June	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation		75,704	99,474	104,381	75,891	138,546
Adjustments for:						
Interest income	5	(1,207)	(1,755)	(2,483)	(1,009)	(1,594)
Depreciation.	6(c)	173,753	203,637	234,959	111,371	153,117
Amortisation of						
intangible assets	6(c)	988	1,194	1,226	584	677
Finance costs.	6(a)	49,480	51,846	58,261	23,865	29,059
Loss on disposal of						
property, plant and						
equipment and						
right-of-use assets		3,870	4,614	1,777	1,025	2,520
Share of losses/(profits)						
of associates		1,116	671	1,996	1,309	(1,087)
Impairment loss on						
property, plant and						
equipment and						
right-of-use assets	6(c)	577	2,020	7,266	—	—
Impairment loss on						
investments in						
associates	6(c)	1,404	—	—	—	—
Equity-settled						
share-based payment						
expenses.	6(b)	3,701	3,689	4,790	1,947	4,454
Dividends from						
purchased unlisted						
equity securities		—	—	(69)	—	—
Losses on disposal of						
equity securities	6(c)	—	—	1,000	1,000	—
Changes in working						
capital:						
Increase in inventories		(5,687)	(12,606)	(3,361)	(1,894)	(7,859)
Increase in trade and						
other receivables and						
rental deposits		(36,615)	(18,091)	(49,676)	(1,362)	(33,796)
Increase in trade and						
other payables and						
accruals.		18,189	12,946	52,659	2,198	34,655
Increase/(decrease) in						
contract liabilities		135	(112)	(130)	1,309	(120)
Cash generated from						
operations		<u>285,408</u>	<u>347,527</u>	<u>412,596</u>	<u>216,234</u>	<u>318,572</u>

(c) Reconciliation of liabilities arising from financing activities:

	<u>Bank loans</u> RMB'000 note 23	<u>Interest payable</u> RMB'000	<u>Lease liabilities</u> RMB'000 note 21	<u>Total</u> RMB'000
At 1 January 2016	44,132	—	463,851	507,983
Changes from financing cash flows:				
Proceeds from bank loans	48,361	—	—	48,361
Repayment of bank loans	(53,589)	—	—	(53,589)
Interest of bank loans paid	—	(2,116)	—	(2,116)
Payment of capital element and interest element of lease liabilities	—	—	(143,312)	(143,312)
Total changes from financing cash flows	(5,228)	(2,116)	(143,312)	(150,656)
Other changes:				
Interest expenses (note 6(a))	—	2,116	46,295	48,411
Addition	—	—	135,622	135,622
Disposal	—	—	(670)	(670)
Total other changes	—	2,116	181,247	183,363
At 31 December 2016 and 1 January 2017	<u>38,904</u>	<u>—</u>	<u>501,786</u>	<u>540,690</u>
Changes from financing cash flows:				
Proceeds from bank loans	24,193	—	—	24,193
Repayment of bank loans	(43,097)	—	—	(43,097)
Interest of bank loans paid	—	(1,483)	—	(1,483)
Payment of capital element and interest element of lease liabilities	—	—	(171,184)	(171,184)
Total changes from financing cash flows	(18,904)	(1,483)	(171,184)	(191,571)
Other changes:				
Interest expenses (note 6(a))	—	1,483	49,124	50,607
Addition	—	—	174,907	174,907
Disposal	—	—	(14,554)	(14,554)
Total other changes	—	1,483	209,477	210,960
At 31 December 2017 and 1 January 2018	<u>20,000</u>	<u>—</u>	<u>540,079</u>	<u>560,079</u>

	<u>Bank loans</u> RMB'000 note 23	<u>Interest payable</u> RMB'000	<u>Lease liabilities</u> RMB'000 note 21	<u>Total</u> RMB'000
At 31 December 2017 and				
1 January 2018	20,000	—	540,079	560,079
Changes from financing cash flows:				
Proceeds from bank loans	73,423	—	—	73,423
Repayment of bank loans	(44,319)	—	—	(44,319)
Interest of bank loans paid	—	(1,006)	—	(1,006)
Payment of capital element and interest element of lease liabilities	—	—	(184,953)	(184,953)
Total changes from financing cash flows	<u>29,104</u>	<u>(1,006)</u>	<u>(184,953)</u>	<u>(156,855)</u>
Other changes:				
Interest expenses (note 6(a))	—	1,006	55,758	56,764
Addition	—	—	268,863	268,863
Disposal	—	—	(14,063)	(14,063)
Total other changes	<u>—</u>	<u>1,006</u>	<u>310,558</u>	<u>311,564</u>
At 31 December 2018 and				
1 January 2019	<u>49,104</u>	<u>—</u>	<u>665,684</u>	<u>714,788</u>
Changes from financing cash flows:				
Proceeds from bank loans	36,701	—	—	36,701
Repayment of bank loans	(33,931)	—	—	(33,931)
Interest of bank loans paid	—	(1,818)	—	(1,818)
Payment of capital element and interest element of lease liabilities	—	—	(136,147)	(136,147)
Total changes from financing cash flows	<u>2,770</u>	<u>(1,818)</u>	<u>(136,147)</u>	<u>(135,195)</u>
Other changes:				
Interest expenses (note 6(a))	—	1,818	26,560	28,378
Addition	—	—	193,873	193,873
Disposal	—	—	(1,423)	(1,423)
Total other changes	<u>—</u>	<u>1,818</u>	<u>219,010</u>	<u>220,828</u>
At 30 June 2019	<u>51,874</u>	<u>—</u>	<u>748,547</u>	<u>800,421</u>
(Unaudited)				
	<u>Bank loans</u> RMB'000 note 23	<u>Interest payable</u> RMB'000	<u>Lease liabilities</u> RMB'000 note 21	<u>Total</u> RMB'000
At 31 December 2017 and				
1 January 2018	20,000	—	540,079	560,079
Changes from financing cash flows:				
Proceeds from bank loans	37,797	—	—	37,797
Repayment of bank loans	(28,999)	—	—	(28,999)
Interest of bank loans paid	—	(416)	—	(416)
Payment of lease liabilities and interest of lease liabilities	—	—	(92,256)	(92,256)
Total changes from financing cash flows	<u>8,798</u>	<u>(416)</u>	<u>(92,256)</u>	<u>(83,874)</u>
Other changes:				
Interest expenses (note 6(a))	—	416	22,794	23,210
Addition	—	—	165,585	165,585
Disposal	—	—	(2,313)	(2,313)
Total other changes	<u>—</u>	<u>416</u>	<u>186,066</u>	<u>186,482</u>
At 30 June 2018	<u>28,798</u>	<u>—</u>	<u>633,889</u>	<u>662,687</u>

(d) Total cash out flow for leases:

	Years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within operating cash flows . . .	(5,998)	(9,214)	(29,130)	(13,288)	(21,460)
Within financing cash flows . . .	(143,312)	(171,184)	(184,953)	(92,256)	(136,147)
	<u>(149,310)</u>	<u>(180,398)</u>	<u>(214,083)</u>	<u>(105,544)</u>	<u>(157,607)</u>

19 TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	49,740	53,964	72,464	84,715
Other payables and accrued charges . .	76,133	81,582	114,554	128,145
Dividends payable (note 29(d))	—	—	30,000	—
Considerations payable (note (i))	—	—	—	180,000
Amounts due to related parties (note 29(d))	12,766	14,566	17,177	17,967
	<u>138,639</u>	<u>150,112</u>	<u>234,195</u>	<u>410,827</u>

Note (i): As part of the Reorganisation, according to an equity transfer agreement dated on 5 June 2019, JMJ Holdings acquired 100% equity interest of Guangzhou Jiumaojiu at consideration of RMB180,000,000. The consideration was settled by 28 November 2019. As a result of the transfer, Guangzhou Jiumaojiu became a wholly-owned subsidiary of JMJ Holdings.

As at the end of each reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	<u>49,740</u>	<u>53,964</u>	<u>72,464</u>	<u>84,715</u>

20 CONTRACT LIABILITIES

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Advanced payment received	<u>1,098</u>	<u>986</u>	<u>856</u>	<u>736</u>

Movements in contract liabilities:

	Contract liabilities
	RMB'000
Balance at 1 January 2016	963
Decrease in contract liabilities as a result of recognising revenue during the year	(2,893)
Increase in contract liabilities	3,028
Balance at 31 December 2016	<u>1,098</u>
Decrease in contract liabilities as a result of recognising revenue during the year	(1,893)
Increase in contract liabilities	1,781
Balance at 31 December 2017	<u>986</u>
Decrease in contract liabilities as a result of recognising revenue during the year	(1,948)
Increase in contract liabilities	1,818
Balance at 31 December 2018	<u>856</u>
Decrease in contract liabilities as a result of recognising revenue during the period	(1,272)
Increase in contract liabilities	1,152
Balance at 30 June 2019	<u>736</u>

21 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each reporting period:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	151,452	169,303	198,318	220,838
After 1 year but within 2 years	142,377	160,292	196,810	220,947
After 2 years but within 5 years	276,633	292,242	332,377	370,214
After 5 years	72,392	70,694	52,606	48,797
	642,854	692,531	780,111	860,796
Less: total future interest expenses	141,068	152,452	114,427	112,249
Present value of lease liabilities	<u>501,786</u>	<u>540,079</u>	<u>665,684</u>	<u>748,547</u>
Lease liabilities included in the statement of financial position				
Within 1 year	103,321	111,698	143,588	165,794
After 1 year but within 2 years	113,590	132,517	168,923	194,522
After 2 years but within 5 years	235,133	260,768	308,369	341,957
After 5 years	49,742	35,096	44,804	46,274
	<u>501,786</u>	<u>540,079</u>	<u>665,684</u>	<u>748,547</u>

22 PROVISIONS

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Provisions for restoration costs	<u>13,693</u>	<u>16,394</u>	<u>21,248</u>	<u>23,026</u>

The movements of provisions during the Relevant Periods were as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at the beginning	11,874	13,693	16,394	21,248
Additional provisions	1,379	1,545	3,935	1,729
Interest on provisions	1,069	1,239	1,497	681
Provisions utilised	(629)	(83)	(578)	(632)
Balance at the end	<u>13,693</u>	<u>16,394</u>	<u>21,248</u>	<u>23,026</u>

Pursuant to the terms of the respective tenancy agreements entered into by the Group, the Group is required to return its leased properties to the conditions as stipulated in the tenancy agreements at the expiration of the corresponding lease term as appropriate. The provision for reinstatement costs was estimated based on certain assumptions and estimates made by the Group's management with reference to historical reinstatement costs and/or other available market information. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

23 BANK LOANS

As at the end of the each Relevant Periods, the bank loans were repayable within one year or on demand and were secured.

- (i) As at 31 December 2016, 2017 and 2018 and 30 June 2019, banking facilities of the Group totaling RMB70,918,000, RMB98,000,000, RMB87,000,000 and RMB122,000,000 were utilised to the extent of RMB38,904,000, RMB20,000,000, RMB49,104,000 and RMB52,000,000.
- (ii) All secured bank loans and above banking facilities as at 31 December 2016, 2017 and 2018 and 30 June 2019 were secured by the Group's bank deposits (note 18(a)) and certain properties owned by Mr. Guan, and were guaranteed by Mr. Guan or jointly guaranteed by Mr. Guan and other related parties (note 29), which will be released or replaced by corporate guarantee or collateral security provided by the Group upon listing.
- (iii) Bank loans amounted to RMB7,870,000, RMB10,000,000, RMB15,000,000 and nil as at 31 December 2016, 2017 and 2018 and 30 June 2019 are subject to the fulfilment of covenants relating to certain of the Group's or the subsidiaries' financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group

were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2016, 2017 and 2018 and 30 June 2019, none of the covenants relating to drawn down loans or facilities had been breached.

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	Years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
At the beginning of the year/ period	1,976	6,413	7,667	7,667	12,313
Provisions for PRC income tax	28,146	34,883	44,679	25,858	41,795
PRC income tax paid	(23,709)	(33,629)	(40,033)	(21,704)	(27,737)
At the end of the year/period .	<u>6,413</u>	<u>7,667</u>	<u>12,313</u>	<u>11,821</u>	<u>26,371</u>

(b) Deferred tax assets recognised

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the Relevant Periods are as follows:

	Unused tax losses	Lease expenses	Impairment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets arising from:					
At 1 January 2016	2,440	15,948	8,724	—	27,112
Credited/(charged) to profit or loss	<u>1,772</u>	<u>2,621</u>	<u>(1,432)</u>	<u>767</u>	<u>3,728</u>
At 31 December 2016 and 1 January 2017	4,212	18,569	7,292	767	30,840
Credited/(charged) to profit or loss	<u>1,400</u>	<u>3,903</u>	<u>(847)</u>	<u>2,600</u>	<u>7,056</u>
At 31 December 2017 and 1 January 2018	5,612	22,472	6,445	3,367	37,896
Credited to profit or loss	<u>6,150</u>	<u>4,985</u>	<u>839</u>	<u>2,172</u>	<u>14,146</u>
At 31 December 2018 and 1 January 2019	11,762	27,457	7,284	5,539	52,042
Credited to profit or loss	<u>2,468</u>	<u>1,926</u>	<u>534</u>	<u>358</u>	<u>5,286</u>
At 30 June 2019	<u>14,230</u>	<u>29,383</u>	<u>7,818</u>	<u>5,897</u>	<u>57,328</u>

Reconciliation to the consolidated statement of financial position:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	<u>30,840</u>	<u>37,896</u>	<u>52,042</u>	<u>57,328</u>

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(q), the Group has not recognised deferred tax assets in respect of temporary differences and cumulative tax losses of certain subsidiaries located in the PRC as it is not probable that future taxable profits against which the losses or temporary differences can be utilised will be available in the relevant tax jurisdiction and entity.

The following table presents the Group's unrecognised deferred tax assets at the reporting dates:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cumulative tax losses	14,047	18,851	25,451	25,419
Temporary differences	2,288	6,920	14,628	18,188
Total	<u>16,335</u>	<u>25,771</u>	<u>40,079</u>	<u>43,607</u>

The expiration information of the Group's unrecognised deferred tax assets in respect of cumulative tax losses is set out below:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
2020	1,707	1,707	1,707	1,707
2021	12,340	12,340	12,340	10,408
2022	—	4,804	4,804	4,804
2023	—	—	6,600	6,600
2024	—	—	—	1,900
Total	<u>14,047</u>	<u>18,851</u>	<u>25,451</u>	<u>25,419</u>

25 EQUITY SETTLED SHARE-BASED PAYMENTS

During the Relevant Periods, the Group has the following share-based payment arrangements:

Restricted Stock Units

The Group's ultimate controlling party, Mr. Guan, operates a share-based incentive scheme (the "Scheme") under which the restricted stock units ("RSUs") of Guangzhou Jiumaojiu will be granted as share incentives to qualified directors and employees of Guangzhou Jiumaojiu and its subsidiaries through an employee shareholding platform (the "RSU platform"), Guangzhou Maixuan Investment Center (Limited Partnership), which was a shareholder of Guangzhou Jiumaojiu prior to the Reorganisation.

The RSUs granted would vest on specific dates, on condition that employees remain in service without any performance requirements. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

Pursuant to the relevant terms of the Scheme, the RSUs have been converted into shares of shareholders of the Company upon the Reorganisation, which principal terms largely mirror that of the Scheme. The total number of RSUs is on the assumption that 1,000,000,000 shares were in issue throughout the Relevant Periods comprising 100 shares in issue as at the date of the Prospectus, 999,999,900 shares to be subdivided as detailed in the paragraph headed "Issued share capital" under the section headed "Authorized and issued share capital" in "Share capital" to the Prospectus.

During years ended 31 December 2014, 2015 and 2018, Mr. Guan had granted RSUs to certain directors and employees of the Group under the Scheme, which vest after five years from the date of grant. Movements in RSUs granted to the Group's directors and employees and the respective weighted-average grant date fair value are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU RMB
Outstanding as of 1 January 2016	35,533,691	0.68
Forfeited during the year	(5,258,437)	0.76
Outstanding as of 31 December 2016 and 31 December 2017	30,275,254	0.67
Granted during the year	14,656,911	1.17
Forfeited during the year	(3,571,028)	1.01
Outstanding as of 31 December 2018	41,361,137	0.81
Vested during the year (note)	(10,987,778)	0.69
Outstanding as of 30 June 2019	30,373,359	0.86

At 31 December 2016, 2017, 2018 and 30 June 2019, a total of 21, 21, 35 and 35 directors and employees (including a former employee) of the Group have been granted with a total of 30,275,254, 30,275,254, 41,361,137 and 41,361,137 RSUs, respectively, and the outstanding number of RSUs that could be granted under the Scheme was 14,342,975, 14,342,975, 3,257,092 and 3,257,092, respectively.

At 31 December 2016, 2017, 2018 and 30 June 2019, the remaining vesting periods for RSUs granted during the years ended 31 December 2014, 2015 and 2018 are as follows:

	Remaining vesting periods			
	As at 31 December			As at 30 June
	2016	2017	2018	2019
RSUs granted during the years ended 31 December:				
2014	3.0 years	2.0 years	1.0 year	0.5 year
2015	3.9 years	2.9 years	1.9 years	1.4 years
2018	NA	NA	4.4 years	3.9 years

Share-based compensation expense relating to awards granted to directors and employees is based on the grant date fair value of the RSUs and is recognised on a straight-line basis over the entire vesting period. The fair value of each RSU at the grant dates is determined by reference to the fair value of the underlying ordinary shares of Guangzhou Jiumaojiu on the date of grant. The grant date fair value of the underlying ordinary shares was determined with the assistance of an independent third party valuation firm, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, and discounted cash flow method under the income approach was used. The discounted cash flow derived by management considered Guangzhou Jiumaojiu's future business plan, specific business and financial risks, the stage of development of Guangzhou Jiumaojiu's operations and economic and competitive elements affecting Guangzhou Jiumaojiu's business, industry and market. The discount rates used for the grant date fair value were 18.00%, 16.65% and 16.65% for RSUs granted during the years ended 31 December 2014, 2015 and 2018 respectively.

RSUs were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. No dividends has been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the RSUs.

Note: On 28 February 2019, Mr. Guan and one former employee reached an agreement that the employee was entitled to the granted RSUs without remaining in service due to the employee's contribution to the Group previously as the former general manager of Guangzhou Jiumaojiu. Therefore, the outstanding 10,987,778 RSUs held by the former employee were vested on the date of the agreement. Accordingly, the Group recognised related share-based compensation expenses immediately after the above RSUs were vested.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

The Company was incorporated in the Cayman Islands on 1 February 2019 as part of the Reorganisation with share capital of USD100 divided into 100 shares with a par value of USD1.00 each. Each of the shares of par value of USD1.00 each would be sub-divided into 1,000,000,000 shares of par value of USD0.0000001 each upon listing.

On 22 May 2019, 17.30 of the then existing authorised ordinary shares of par value of USD1.00 each were cancelled by the Group in exchange for the allotment of a total of 17.30 preference shares of par value of USD1.00 each. The preference shareholders were, subject to certain limitations, entitled to certain customary special rights including (i) redemption right if the listing of the Company approval is not obtained by 31 December 2019, (ii) right to appoint one Director, (iii) pre-emptive right, (iv) tag-along right, (v) anti-dilution right and (vi) information right. All special rights will terminate upon listing. Each preference share shall automatically be converted into an ordinary share on a one to one ratio upon listing.

The preference shares were recorded as equity of the Company.

(b) Movements in components of equity

Details of the changes in the Company's individual components of equity are set out below:

	<u>Share capital</u>	<u>Accumulated</u>	<u>Total</u>
	<u>RMB'000</u>	<u>losses</u>	<u>RMB'000</u>
The Company	RMB'000	RMB'000	RMB'000
At 1 February 2019 (date of incorporation)	1	—	1
Loss for the period and total comprehensive income	—	(9,850)	(9,850)
At 30 June 2019.	<u>1</u>	<u>(9,850)</u>	<u>(9,849)</u>

(c) Nature and purposes of reserves

(i) Capital reserve

The capital reserve as at 1 January 2016 represented an aggregate amount of the paid-in capital and capital reserve of all the companies now comprising the Group at the respective dates that was recorded as capital reserve, after elimination of investments in subsidiaries.

Changes in the Group's investment in subsidiaries

For the years ended 31 December 2016 and 2017, the Group held 55% equity interest of Cong Xin, a subsidiary of the Group. The Group injected a further capital of RMB2,460,000 and RMB4,100,000 to Cong Xin for the years ended 31 December 2016 and 2017 respectively without any change in equity interest percentage attributed to the Group and non-controlling shareholder. Such non-reciprocal capital contribution made by the Group to Cong Xin was allocated proportionately to non-controlling shareholder accordingly as a deduction from capital reserve.

Capitalisation of statutory reserve and retained profits

Pursuant to the board resolution, Guangzhou Jiumaojiu transferred the statutory reserve and retained earnings of the Guangzhou Jiumaojiu of RMB6,531,000 and RMB7,254,000 respectively to capital reserve.

Acquisition of non-controlling interests

For the year ended 31 December 2018, the Group purchased an additional 10% equity interest of Tai Er Catering from non-controlling shareholders at consideration of RMB27,500,000 in aggregate, the differences between the consideration paid and acquired proportionate interest in identifiable net assets of Tai Er Catering of RMB22,098,000 was recognised as a deduction from capital reserve.

Arising from reorganisation

For the six months ended 30 June 2019, as part of the Reorganisation, JMJ Holdings acquired the entire equity interest of Guangzhou Jiumaojiu at consideration of RMB180,000,000 from the original shareholders of Guangzhou Jiumaojiu (see note 19). The consideration to be paid to original shareholders was treated as deemed distribution from the Group.

(ii) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of RSUs granted to the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(p)(ii).

(iii) Statutory reserve

Statutory reserves are established in accordance with the PRC Company Law the Articles of Association of the companies comprising the Group which are incorporated in the PRC.

Appropriations to the reserves were required to allocate 10% of their profits after tax until the reserves reach 50% of their respective registered capital.

Statutory reserve fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(d) Dividends

No dividend has been paid or declared by the Company during the Relevant Periods. Dividends declared after 30 June 2019 have not been recognised as liabilities as at 30 June 2019.

Dividends of RMB9,000,000, RMB20,000,000, RMB54,750,000, RMB24,750,000 (unaudited) and nil were declared by Guangzhou Jiumaojiu during the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2018 and 2019 respectively.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group's overall strategy remains unchanged throughout the Relevant Periods. The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, as at 31 December 2016, 2017 and 2018 and 30 June 2019 was 83%, 78%, 83% and 90%, respectively.

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and restricted deposits is limited because the counterparties are banks and financial institutions with high-credit-quality, for which the Group considers to have low credit risk.

The Group's trade receivables in connection with bills settled through payment platforms such as Unionpay, Alipay or WeChat Pay are with high credit rating and no past due history. The management of the Group considers these assets are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers during the Relevant Periods, and accordingly, no provision for impairment of trade receivables is considered necessary by management for the Relevant Periods.

We have concentration of credit risk on amounts due from related parties as of each reporting period with details set out in note 29. Our management has made periodic assessments as well as individual assessment on recoverability based on historical settlement records and adjusts for forward-looking information. In view of the strong financial capability of these related parties and considered the future prospects of the industry these related parties operate, our management does not consider there is a risk of default and does not expect any losses from non-performance by these related parties, and accordingly, no impairment was recognised in respect of the amounts due from related parties.

In determining the ECL for other receivables, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate. The management of the Group has assessed that other receivables have not had a significant increase in credit risk since initial recognition and risk of default is insignificant, and therefore, no provision for impairment of other receivables is considered necessary by management for the Relevant Periods.

The expected credit loss rate is insignificant and close to zero.

The Group does not provide any guarantees which would expose the Group to credit risk.

(b) Liquidity risk

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Group's net current liabilities amounted to RMB145,767,000, RMB107,347,000, RMB213,438,000 and RMB319,137,000, respectively. In management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group relies on the cash generated from operating activities and bank borrowing as the main source of liquidity. For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2018 and 2019, the Group had net cash generated from operating activities of approximately RMB261,699,000, RMB313,898,000, RMB372,563,000, RMB194,530,000 and RMB290,835,000, respectively. As at 30 June 2019, the Group had unused bank facilities of RMB70,000,000. In addition, the management of the Group monitors the utilisation of borrowings and ensures compliance with borrowing covenants, if any. The Directors believe that the Group and the Company will have sufficient funds available from the operating activities to meet their financial obligations in the foreseeable future.

The following tables show the remaining contractual maturities at the end of each Relevant Periods of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contracted rates or, if floating, based on rates current at the end of Relevant Periods) and the earliest date the Group can be required to pay:

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables . . .	138,639	—	—	—	138,639	138,639
Bank loans	39,790	—	—	—	39,790	38,904
Lease liabilities	151,452	142,377	276,633	72,392	642,854	501,786
	<u>329,881</u>	<u>142,377</u>	<u>276,633</u>	<u>72,392</u>	<u>821,283</u>	<u>679,329</u>

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables . . .	150,112	—	—	—	150,112	150,112
Bank loans	20,259	—	—	—	20,259	20,000
Lease liabilities	169,303	160,292	292,242	70,694	692,531	540,079
	<u>339,674</u>	<u>160,292</u>	<u>292,242</u>	<u>70,694</u>	<u>862,902</u>	<u>710,191</u>

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables . . .	234,195	—	—	—	234,195	234,195
Bank loans	50,222	—	—	—	50,222	49,104
Lease liabilities	198,318	196,810	332,377	52,606	780,111	665,684
	<u>482,735</u>	<u>196,810</u>	<u>332,377</u>	<u>52,606</u>	<u>1,064,528</u>	<u>948,983</u>

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 30 June 2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables . . .	410,827	—	—	—	410,827	410,827
Bank loans	52,502	—	—	—	52,502	51,874
Lease liabilities	220,838	220,947	370,214	48,797	860,796	748,547
	<u>684,167</u>	<u>220,947</u>	<u>370,214</u>	<u>48,797</u>	<u>1,324,125</u>	<u>1,211,248</u>

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as mentioned by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the Relevant Periods:

	31 December 2016		31 December 2017	
	Effective	Amount	Effective	Amount
	interest rates	RMB'000	interest rates	RMB'000
	%		%	
Fixed rate borrowings:				
Bank loans	4.79%–6.96%	38,904	4.79%–6.09%	20,000
Lease liabilities	6.18%–9.36%	501,786	5.66%–9.36%	540,079
Total borrowings		<u>540,690</u>		<u>560,079</u>
Fixed rate borrowings as a percentage of total borrowings		<u>100%</u>		<u>100%</u>
	31 December 2018		30 June 2019	
	Effective	Amount	Effective	Amount
	interest rates	RMB'000	interest rates	RMB'000
	%		%	
Fixed rate borrowings:				
Bank loans	4.79%–5.00%	45,000	4.35%–6.31%	46,874
Lease liabilities	5.66%–9.36%	665,684	5.66%–9.36%	748,547
		<u>710,684</u>		<u>795,421</u>
Variable rate borrowings:				
Bank loans	4.35%	4,104	4.35%	5,000
Total borrowings		<u>714,788</u>		<u>800,421</u>
Fixed rate borrowings as a percentage of total borrowings		<u>99%</u>		<u>99%</u>

(ii) Sensitivity analysis

At 31 December 2016, 2017 and 2018 and 30 June 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variable held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately nil, nil, RMB31,000 and RMB38,000.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

The Group is not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than the functional currencies of the Company and its subsidiaries are not significant.

(e) Fair value measurement

(i) *Financial assets and liabilities measured at fair value**Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The following table presents the Group's financial assets that are measured at fair value at the end of each reporting dates:

	Fair value at 31 December 2016 RMB'000	Fair value measurements as at 31 December 2016 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Other non-current financial assets:				
— Unlisted equity securities	4,642	—	—	4,642
	<u>4,642</u>	<u>—</u>	<u>—</u>	<u>4,642</u>
	Fair value at 31 December 2017 RMB'000	Fair value measurements as at 31 December 2017 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Other non-current financial assets:				
— Unlisted equity securities	13,740	—	—	13,740
	<u>13,740</u>	<u>—</u>	<u>—</u>	<u>13,740</u>
	Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Other non-current financial assets:				
— Unlisted equity securities	12,938	—	—	12,938
	<u>12,938</u>	<u>—</u>	<u>—</u>	<u>12,938</u>

	Fair value at	Fair value measurements as at		
	30 June	30 June 2019 categorised into		
	2019	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Other non-current financial assets:				
— Unlisted equity securities	12,938	—	—	12,938

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3.

Information about Level 3 fair value measurements

The Group invested in these unlisted equities in start-up entities as its strategic investments. The costs are used as approximation of fair value, as insufficient more recent information is available to measure fair value and there has been no significant change observed.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2016, 2017 and 2018 and 30 June 2019 because of the short-term maturities of all these financial instruments.

28 COMMITMENTS

Capital commitments of the Group outstanding at 31 December 2016, 2017 and 2018 and 30 June 2019 not provided for in the financial statements were as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Capital commitments	38,916	30,376	66,537	58,505

29 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the Historical Financial Information, the Group entered into the following material related party transactions.

(a) Name and relationship with related parties

During the Relevant Periods, the directors are of the view that the following are related parties of the Group:

Name of party	Relationship with the Group
Mr. Guan	Ultimate controlling shareholder
Ms. Yang Sanyin	The spouse of Mr. Guan
Lhasa Economic and Technological Development Zone Qiaozhanggui Enterprise Management Co., Ltd.* (拉薩經濟技術開發區蕎掌貴企業管理有限公司, "Lhasa Qiaozhanggui")	Entity controlled by Mr. Guan
Guangzhou Maixuan Investment Center (Limited Partnership)* (廣州市麥旋投資中心(有限合夥), "Guangzhou Maixuan")	Entity controlled by Mr. Guan
Wulian Qiaozhanggui Business Management Consulting Partnership (Limited Partnership)* (五蓮蕎掌貴企業管理諮詢合夥企業(有限合夥), "Wulian Qiaozhanggui")	Entity controlled by Mr. Guan
Wulian Maituan Business Management Consulting Partnership (Limited Partnership)* (五蓮麥團企業管理諮詢合夥企業(有限合夥), "Wulian Maituan")	Entity controlled by Mr. Guan
Guangzhou Tianhe District Zhujiang Jiumaojiu Shanxi Noodles Restaurant* (廣州市天河珠江城玖毛玖山西老麵館, "Machang Restaurant")	Owned by Mr. Guan

* The official names of this entity is in Chinese. The English translation of the name is for identification only.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows.

	Years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	2,267	2,831	3,650	1,700	1,810
Contributions to defined contribution retirement plan	68	80	101	50	50
Equity-settled share-based payment expenses	411	410	768	242	517
	<u>2,746</u>	<u>3,321</u>	<u>4,519</u>	<u>1,992</u>	<u>2,377</u>

Total remuneration is included in "staff costs" (see note 6(b)).

(c) Related parties transactions

During the Relevant Periods, the Group entered into the following material related party transactions:

	Years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Recurring transactions					
— Sales of materials to Machang Restaurant . . .	3,331	6,485	7,576	3,526	3,497
— Provision of services to Machang Restaurant . . .	1,645	3,774	5,246	2,623	2,620

(d) Balance with related parties

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Group had the following balances with related parties:

Amounts due from related parties

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade in nature				
Machang Restaurant				
— Trade and other receivables . . .	15,116	16,512	19,539	21,134

Amounts due to related parties

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade in nature				
Machang Restaurant				
— Trade and other payables . . .	12,766	14,566	17,177	17,967
Non-trade in nature				
Dividends payable	—	—	22,012	—
Considerations payable (note 19)	—	—	—	123,071

The balance with these related parties are unsecured, interest-free and have no fixed repayment terms.

(e) Bank loans guaranteed by related parties

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trade in nature				
Bank loans guaranteed by Mr. Guan or jointly guaranteed by Mr. Guan, Ms. Yang Sanyin, Lhasa Qiaozhanggui, Guangzhou Maixuan and Machang Restaurant (note 23)	38,904	20,000	49,104	51,874

(f) Financing arrangements

	Years ended 31 December			Six months ended 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (unaudited)	2019 RMB'000
Recurring transactions					
Lease liabilities due to Mr. Guan (note)					
— Related interest expense	844	834	831	417	407
	<u>844</u>	<u>834</u>	<u>831</u>	<u>417</u>	<u>407</u>
	As at 31 December			As at 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	
Non-trade in nature					
Lease liabilities due to Mr. Guan (note)					
— Amounts owed by the Group	60	1,392	2,002	1,750	
	<u>60</u>	<u>1,392</u>	<u>2,002</u>	<u>1,750</u>	

Note: During the Relevant Periods, the Group entered into several lease contracts in respect of certain leasehold properties from Mr. Guan for restaurant operations. The amount of rent payable (excluding taxes) by the Group under the leases ranges from RMB16,000 to RMB30,000 per month, which was determined with reference to amounts charged by Mr. Guan to third parties. As at 31 December 2016, 2017 and 2018 and 30 June 2019, the relevant right-of-use assets amounted to RMB82,000, RMB1,455,000, RMB1,985,000 and RMB1,719,000, respectively.

30 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at the date of this report, the Directors consider the immediate parent of the Group to be GYH J Limited, which is incorporated in the BVI, and the ultimate controlling party of the Company to be Mr. Guan.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING YEAR BEGINNING ON OR AFTER 31 DECEMBER 2019

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of amendments, which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information. These include the following.

	<u>Effective for accounting periods beginning on or after</u>
Amendments to HKFRS 3, <i>Definition of a business</i>	1 January 2020
Amendments to HKAS 1 and HKAS 8, <i>Definition of material</i>	1 January 2020
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
IFRS 17, <i>Insurance contracts</i>	1 January 2021
Amendments to IFRS 10 and IAS 28, <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

32 SUBSEQUENT EVENTS

On 24 September 2019, the Board of Directors of the Company declared dividends of RMB50,625,000 to the shareholders. Such dividends will be paid before listing.

33 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 30 June 2019.

The information set forth in this appendix does not form part of the Accountants' Report from the reporting accountants of our Company, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and our historical financial information included in the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to equity shareholders of the Company as if the Global Offering had been completed on 30 June 2019.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group attributable to equity shareholders of the Company had the Global Offering been completed as at 30 June 2019 or any future date.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of 30 June 2019	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share	
	RMB'000 ⁽¹⁾	RMB'000 ⁽²⁾⁽⁴⁾	RMB'000	RMB ⁽³⁾	HK\$ ⁽⁴⁾
Based on an Offer Price of HK\$5.50 per share	104,967	1,557,439	1,662,406	1.25	1.39
Based on an Offer Price of HK\$6.60 per share	104,967	1,873,566	1,978,533	1.48	1.65

Notes:

- (1) The consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 30 June 2019 is calculated based on the consolidated net assets attributable to shareholders of the Company of RMB108,325,000 as at 30 June 2019, less intangible assets of RMB3,358,000 as at the date, as extracted from the financial information included in the Accountants' Report set out in Appendix I to the prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the estimated Offer Prices of HK\$5.50 per share and HK\$6.60 per share, being the lower end price and higher end price of the indicative Offer Price range respectively, after deduction of the estimated underwriting fees and other related expenses related to Global Offering (excluding approximately RMB9,850,000 listing expenses which has been charged to profit or loss up to 30 June 2019) and the issuance of 333,400,000 shares, takes no account of any shares that may be issued upon exercise of the Over-Allotment Option or any options which may be granted under the Shares Option Scheme, and excluding any shares which may be issued or repurchased by the Company pursuant to the general mandates. The estimated net proceeds from the Global Offering is converted into RMB at an exchange rate of HK\$1.1137 to RMB1.
- (3) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share is arrived at after the adjustments for the estimated net proceeds from the Global Offering as described in note (2) and on the basis that a total of 1,333,400,000 shares were in issue assuming that the Global Offering was completed on 30 June 2019, but takes no account of any shares which may be issued upon the exercise of the Over-Allotment Option or any options which may be granted under the Shares Option Scheme, and excluding any shares which may be issued or repurchased by the Company pursuant to the general mandates.

- (4) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share is converted into Hong Kong dollars at an exchange rate of RMB1 to HK\$1.1137. No representation is made that RMB amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.
- (5) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company does not take into account a dividend of RMB50,625,000 declared on 24 September 2019. Such dividends will be paid in full before Listing. Had such dividends been taken into account, the unaudited pro forma net tangible assets attributable to equity shareholders of the Company per share would be decreased to approximately RMB1.21 per share (equivalent to HK\$1.35 per share) and RMB1.45 per share (equivalent to HK\$1.61 per share), based on the lower end and higher end price of the indicative Offer Price range of HK\$5.50 per share and HK\$6.60 per share, respectively.
- (6) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2019.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF JIUMAOJIU INTERNATIONAL HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Jiumaojiu International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2019 and related notes as set out in Part A of Appendix II to the prospectus dated 30 December 2019 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 June 2019 as if the Global Offering had taken place at 30 June 2019. As part of this process, information about the Group's financial position as at 30 June 2019 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality 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.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” 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 Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgement, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group, and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

Hong Kong

30 December 2019

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Companies Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 1, 2019 under the Cayman Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on December 6, 2019. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the 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, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares

of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) *Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, 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 Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors***(i) Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (a) resign;

- (b) dies;
- (c) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (d) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) he is prohibited from being or ceases to be a director by operation of law;
- (f) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (g) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (h) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. 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.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (a) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates 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 his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (e) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(c) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(d) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(e) Meetings of member**(i) Special and ordinary resolutions**

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are 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 has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is 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 members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that 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.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must

specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

(v) 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, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(f) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at any general meeting convened and held in accordance with the Articles of the Company, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members 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 Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. 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.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(h) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The

liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(k) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 1 February 2019 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;

- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities. Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 30 years from 30 August 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of Our Company**

Our Company was incorporated in the Cayman Islands under Cayman Companies Law as an exempted company with limited liability on February 1, 2019. We have established a principal place of business in Hong Kong at 27/F, Lancashire Center, 361 Shau Kei Wan Road, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on July 11, 2019. Mr. Matthew Mo Kan Tsui has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in “Summary of the Constitution of Our Company and Cayman Companies Law” in Appendix III.

2. Changes in the Share Capital of Our Company

As of the date of incorporation of our Company, our Company had an authorized share capital of US\$50,000.00, divided into 50,000 Shares of US\$1.00 each.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

- On February 1, 2019, our Company allotted and issued one Share at par value of US\$1.00 to WNL Limited as the initial subscriber, which was transferred to GYH BVI on the same day; then we allotted and issued 60.4445 Shares to GYH BVI at a consideration of US\$60.4445, 15 Shares to Eskdale BVI at a consideration of US\$15, 9.137 Shares to MX BVI at a consideration of US\$9.137, 9.1185 Shares to MT BVI at a consideration of US\$9.1185, 3 Shares to GDF BVI at a consideration of US\$3, 1.1667 Shares to HQ BVI at the consideration of US\$1.1667, 0.8 Share to YSY BVI at the consideration of US\$0.8 and 0.3333 Share to FY BVI at the consideration of US\$0.3333 on the same day;
- On May 22, 2019, we effected a reorganization of our share capital pursuant to which 17.30 of the then existing authorized ordinary shares of nominal or par value of US\$1.00 each (including 15 ordinary shares held by Eskdale BVI, 0.8 ordinary share held by YSY BVI, 0.3333 ordinary share held by FY BVI and 1.1667 ordinary shares held by HQ BVI) were repurchased by our Company in exchange for the allotment of a total of 17.30 Series A Preferred Shares of US\$1.00 nominal or par value each which include the allotment of 15 Series A Preferred Shares to Eskdale BVI, 0.8 Series A Preferred Share to YSY BVI, 0.3333 Series A Preferred Share to FY BVI and 1.1667 Series A Preferred Shares to HQ BVI; and

- On December 6, 2019, our Company resolved, among other things, that conditional upon Listing, all of the authorized and issued Series A Preferred Shares be re-designated into ordinary shares of a par value of US\$1.00 each of the Company on a one to one basis and that all the issued and unissued ordinary shares of a par value of US\$1.00 each of the Company be subdivided into 10,000,000 Shares of a par value of US\$0.0000001 each, such that the authorized share capital of the Company shall become US\$50,000 divided into 500,000,000,000 Shares of a par value of US\$0.0000001 each.

Immediately following the completion of the Global Offering but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme, the issued share capital of our Company will be US\$133.34, divided into 1,333,400,000 Shares of US\$0.0000001 each, all fully paid or credited as fully paid and 498,666,600,000 Shares of US\$0.0000001 each will remain unissued.

Save as disclosed above and in “History, Reorganization and Corporate Structure” in this prospectus, there has been no alteration in the share capital of our Company since our incorporation.

3. Resolutions in Writing of the Shareholders of Our Company Passed on December 6, 2019

Pursuant to the written resolutions passed by the Shareholders on December 6, 2019:

- (a) our Company approved and adopted the Memorandum and Articles of Association conditional upon Listing;
- (b) conditional upon Listing, each of the authorized and issued Series A Preferred Shares be re-designated into ordinary shares of a par value of US\$1.00 each of the Company on a one to one basis, and that each of the issued and unissued ordinary shares of par value of US\$1.00 each of the Company be subdivided into 10,000,000 Shares of a par value of US\$0.0000001 each, such that the authorized share capital of the Company shall be US\$50,000 divided into 500,000,000,000 Shares of a par value of US\$0.0000001 each;
- (c) conditional on (1) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, (2) the Offer Price being fixed on the Price Determination Date and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering was approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering;
 - (ii) the granting of the Over-allotment Option was approved;

- (iii) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to an option or otherwise) by our Directors other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, (c) the exercise of options which may be granted under the Share Option Scheme, (d) the exercise of any subscription or conversion rights attaching to any warrants or securities which are convertible into Shares or in issue prior to the date of passing the relevant resolution, or (e) a specific authority granted by our Shareholders in general meeting, shall not exceed the aggregate of 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting or the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the “**Applicable Period**”);
- (iv) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose Shares with a total nominal value of not more than 10% of the total nominal value of the share capital of our Company 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 or any options which may be granted under the Share Option Scheme), such mandate to remain in effect during the Applicable Period; and

- (v) the general unconditional mandate mentioned in paragraph (iii) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (iv) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of our Company's share capital 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 or any options which may be granted under the Share Option Scheme); and
- (d) conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme and (2) the commencement of trading of the Shares on the Main Board of the Stock Exchange, (i) the adoption of the Share Option Scheme was approved and (ii) the Board was authorized to allot, issue and deal with Shares pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme.

4. Our Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. Please see "History, Reorganization and Corporate Structure" for further details.

5. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I. Save for the subsidiaries mentioned in the Accountants' Report, we do not have any other subsidiaries.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

Guangzhou Jiumaojiu

On December 13, 2018, the registered capital of Guangzhou Jiumaojiu was increased from RMB75.0 million to RMB180.0 million. On the same date, Guangzhou Jiumaojiu was converted from a joint stock company to a limited liability company.

Pin Xin Yue Gu

On November 10, 2017, the registered capital of Pin Xin Yue Gu was increased from RMB10.0 million to RMB100.0 million. RMB89.8 million of the registered capital of Pin Xin Yue Gu is paid up by cash up to the date of this prospectus.

Cong Xin

On January 28, 2019, the registered capital of Cong Xin was increased from RMB1.8 million to RMB10.0 million. RMB3.92 million of the registered capital of Cong Xin is paid up by cash up to the date of this prospectus.

Guangzhou Happy Mouth

On January 28, 2019, the registered capital of Guangzhou Happy Mouth was increased from RMB100,000 to RMB30.0 million. RMB3.6 million of the registered capital of Guangzhou Happy Mouth is paid up by cash up to the date of this prospectus.

Guangzhou Uncle Chef

On April 18, 2019, the registered capital of Guangzhou Uncle Chef was increased from RMB100,000 to RMB10.0 million. On October 21, 2019, the registered capital of Guangzhou Uncle Chef was further increased from RMB10.0 million to RMB20.0 million. RMB6.0 million of the registered capital of Guangzhou Uncle Chef is paid up by cash up to the date of this prospectus.

Save as disclosed above, there have been no alterations in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchases of Our Own Securities***(a) Provisions of the Listing Rules***

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on December 6, 2019, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the applicable laws or by our Articles of Association to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of Funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Memorandum and Articles of Association, the Listing Rules and the Companies Law. We are not permitted to repurchase our 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 as amended from time to time.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and cancelled and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities 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 a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to the listed company.

(b) Reasons for Repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on the market conditions, funding arrangement and other circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining. Repurchase of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of Repurchases

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association of our Company, the Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, the Memorandum and the Articles, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, the Memorandum and the Articles, out of capital.

There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the effective period of the Repurchase Mandate. However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 1,333,400,000 Shares in issue immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme, could accordingly result in up to approximately 133,340,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable laws or our Articles of Association to hold our next annual general meeting; or
- (iii) the date when the Repurchase Mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No core connected person of our Company has notified our Company that he or she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, 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.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the total number of Shares then in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement dated May 30, 2019 among Wulian Qiaozhanggui Business Management Consulting Partnership (Limited Partnership) (五蓮蕎掌貴企業管理諮詢合夥企業(有限合夥)), Beijing He Xie Cheng Zhang, Wulian Maituan Business Management Consulting Partnership (Limited Partnership) (五蓮麥團企業管理諮詢合夥企業(有限合夥)), Sure Win Investments Limited, Guangzhou Maixuan, Gao Defu, Chen Haixia, Zhang Zailin, Huang Qin, Yan Zhiwen, Fu Peihong, Ye Shangying, Luo Xiaojun, Fu Yong, Zheng Li and JMJ Holdings, pursuant to which:
- JMJ Holdings agreed to acquire 56.1172% equity interest in Guangzhou Jiumaojiu from Wulian Qiaozhanggui Business Management Consulting Partnership (Limited Partnership) (五蓮蕎掌貴企業管理諮詢合夥企業(有限合夥)) at a consideration of RMB101,010,960;
 - JMJ Holdings agreed to acquire 15% equity interest in Guangzhou Jiumaojiu from Beijing He Xie Cheng Zhang at a consideration of RMB27,000,000;
 - JMJ Holdings agreed to acquire 7.7284% equity interest in Guangzhou Jiumaojiu from Wulian Maituan Business Management Consulting Partnership (Limited Partnership) (五蓮麥團企業管理諮詢合夥企業(有限合夥)) at a consideration of RMB13,911,120;
 - JMJ Holdings agreed to acquire 5% equity interest in Guangzhou Jiumaojiu from Sure Win Investments Limited at a consideration of RMB9,000,000;
 - JMJ Holdings agreed to acquire 4.527% equity interest in Guangzhou Jiumaojiu from Guangzhou Maixuan at a consideration of RMB8,148,600;
 - JMJ Holdings agreed to acquire 3% equity interest in Guangzhou Jiumaojiu from Gao Defu at a consideration of RMB5,400,000;
 - JMJ Holdings agreed to acquire 2.5538% equity interest in Guangzhou Jiumaojiu from Chen Haixia at a consideration of RMB4,596,840;
 - JMJ Holdings agreed to acquire 1.1804% equity interest in Guangzhou Jiumaojiu from Zhang Zailin at a consideration of RMB2,124,720;
 - JMJ Holdings agreed to acquire 1.1667% equity interest in Guangzhou Jiumaojiu from Huang Qin at a consideration of RMB2,100,060;

- JMJ Holdings agreed to acquire 0.9732% equity interest in Guangzhou Jiumaojiu from Yan Zhiwen at a consideration of RMB1,751,760;
 - JMJ Holdings agreed to acquire 0.909% equity interest in Guangzhou Jiumaojiu from Fu Peihong at a consideration of RMB1,636,200;
 - JMJ Holdings agreed to acquire 0.8% equity interest in Guangzhou Jiumaojiu from Ye Shangying at a consideration of RMB1,440,000;
 - JMJ Holdings agreed to acquire 0.513% equity interest in Guangzhou Jiumaojiu from Luo Xiaojun at a consideration of RMB923,400;
 - JMJ Holdings agreed to acquire 0.3333% equity interest in Guangzhou Jiumaojiu from Fu Yong at a consideration of RMB599,940; and
 - JMJ Holdings agreed to acquire 0.198% equity interest in Guangzhou Jiumaojiu from Zheng Li at a consideration of RMB356,400;
- (b) a shareholders' agreement dated May 22, 2019 among our Company, GYH BVI, Mr. Guan, Eskdale BVI, MX BVI, MT BVI, GDF BVI, HQ BVI, YSY BVI and FY BVI to govern certain matters relating to, among others, the transfer of shares of our Company and the management of our Company;
- (c) a cornerstone investment agreement dated December 23, 2019 entered into among our Company, BlackRock Strategic Funds — BlackRock Asia Pacific Absolute Return Fund, BlackRock Global Funds — China Flexible Equity Fund, BlackRock Global Funds — China Fund, BlackRock Emerging Frontiers Fund Limited and CMB International Capital Limited, pursuant to which BlackRock Strategic Funds — BlackRock Asia Pacific Absolute Return Fund, BlackRock Global Funds — China Flexible Equity Fund, BlackRock Global Funds — China Fund and BlackRock Emerging Frontiers Fund Limited have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased with the Hong Kong dollar equivalent of US\$296,297.75, US\$323,702.13, US\$12,220,538.92 and US\$7,159,461.20, respectively;





















- (d) a cornerstone investment agreement dated December 23, 2019 entered into among our Company, China Alpha Fund Management Ltd (“**China Alpha**”) and CMB International Capital Limited, pursuant to which China Alpha, acting as the investment manager of China Alpha Master Fund Ltd and Global Integrity Fund Ltd (collectively, the “**Funds**”), has agreed to nominate and procure the Funds to subscribe, and failing which China Alpha will subscribe, at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased with the Hong Kong dollar equivalent of US\$15,000,000 in aggregate, of which US\$13,496,516 and US\$1,503,484 will be contributed from China Alpha Master Fund Ltd and Global Integrity Fund Ltd, respectively;
- (e) a cornerstone investment agreement dated December 23, 2019 entered into among our Company, WT Investment Management (“**WT**”) and CMB International Capital Limited, pursuant to which WT, acting as the investment manager of WT China Fund Limited, has agreed to nominate and procure WT China Fund Limited to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased with the Hong Kong dollar equivalent of US\$15,000,000;
- (f) a cornerstone investment agreement dated December 23, 2019 entered into among our Company, Orient Sun Rise Global Superior Choice SPC — Global Superior Choice Series Fund One SP, Orient Sun Rise Global Superior Choice SPC — Vision Fund 1 SP and CMB International Capital Limited, pursuant to which Orient Sun Rise Global Superior Choice SPC — Global Superior Choice Series Fund One SP and Orient Sun Rise Global Superior Choice SPC — Vision Fund 1 SP have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased with the Hong Kong dollar equivalent of US\$3,000,000 and US\$2,000,000, respectively;
- (g) the Hong Kong Underwriting Agreement;
- (h) the Deed of Indemnity; and
- (i) the Deed of Non-competition.

2. Our Material Intellectual Property Rights

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.








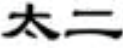





(a) Trademarks









As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:







No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1		43	Guangzhou Jiumaojiu	PRC	3854107	August 14, 2018	August 13, 2028
2		30	Guangzhou Jiumaojiu	PRC	3854110	November 14, 2015	November 13, 2025
3		29	Guangzhou Jiumaojiu	PRC	3854111	November 14, 2015	November 13, 2025
4		16	Guangzhou Jiumaojiu	PRC	3854113	April 28, 2016	April 27, 2026
5	九毛九佬面馆	43	Guangzhou Jiumaojiu	PRC	8050277	June 21, 2011	June 20, 2021
6	莽掌贵	30	Guangzhou Jiumaojiu	PRC	6803113	April 21, 2010	April 20, 2020 ⁽¹⁾
7		43	Guangzhou Jiumaojiu	PRC	6803112	May 21, 2010	May 20, 2020 ⁽¹⁾
8		29	Guangzhou Jiumaojiu	PRC	10214329	January 21, 2013	January 20, 2023
9		31	Guangzhou Jiumaojiu	PRC	10214388	January 21, 2013	January 20, 2023
10		32	Guangzhou Jiumaojiu	PRC	10214418	January 21, 2013	January 20, 2023
11		35	Guangzhou Jiumaojiu	PRC	10214452	January 21, 2013	January 20, 2023
12	九毛九	43	Guangzhou Jiumaojiu	PRC	14494854	January 14, 2016	January 13, 2026
13		43	Guangzhou Jiumaojiu	PRC	14494881	January 14, 2016	January 13, 2026
14		33	Guangzhou Jiumaojiu	PRC	3854109	November 21, 2015	November 20, 2025
15		25	Guangzhou Jiumaojiu	PRC	3854112	January 7, 2017	January 6, 2027
16		5	Guangzhou Jiumaojiu	PRC	3854114	April 28, 2016	April 27, 2026
17	九魚魚	43	Guangzhou Jiumaojiu	PRC	17074702	August 21, 2016	August 20, 2026
18	九九哥	43	Guangzhou Jiumaojiu	PRC	19349697	April 28, 2017	April 27, 2027
19	99哥	43	Guangzhou Jiumaojiu	PRC	24974803	September 28, 2018	September 27, 2028
20		32	Tai Er Catering	PRC	26194567	August 21, 2018	August 20, 2028
21		31	Tai Er Catering	PRC	26201393	August 21, 2018	August 20, 2028
22		25	Tai Er Catering	PRC	26198338	August 21, 2018	August 20, 2028
23		41	Tai Er Catering	PRC	26186388	August 21, 2018	August 20, 2028
24		18	Tai Er Catering	PRC	26194200	August 21, 2018	August 20, 2028
25		33	Tai Er Catering	PRC	26184072	August 21, 2018	August 20, 2028
26		29	Tai Er Catering	PRC	26192599	August 21, 2018	August 20, 2028








Note:

- We will renew the trademark registration and, as confirmed by our PRC Legal Advisor, there will not be any material impediment in renewing the trademark registration upon submission of all the requisite documents.

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
27		30	Tai Er Catering	PRC	26201368	August 21, 2018	August 20, 2028
28		43	Tai Er Catering	PRC	26203584	August 21, 2018	August 20, 2028
29		16	Tai Er Catering	PRC	26197186	August 21, 2018	August 20, 2028
30		35	Tai Er Catering	PRC	26201130	August 21, 2018	August 20, 2028
31		28	Tai Er Catering	PRC	26188209	August 21, 2018	August 20, 2028
32		24	Tai Er Catering	PRC	23781450	July 7, 2018	July 6, 2028
33		16	Tai Er Catering	PRC	23780247	June 14, 2018	June 13, 2028
34		28	Tai Er Catering	PRC	20813225	May 7, 2018	May 6, 2028
35		18	Tai Er Catering	PRC	23099395	March 7, 2018	March 6, 2028
36		20	Tai Er Catering	PRC	23099744	March 7, 2018	March 6, 2028
37		29	Tai Er Catering	PRC	20813047	September 21, 2017	September 20, 2027
38		21	Tai Er Catering	PRC	20666400	September 7, 2017	September 6, 2027
39		8	Tai Er Catering	PRC	20664854	September 7, 2017	September 6, 2027
40		16	Tai Er Catering	PRC	20665063	September 7, 2017	September 6, 2027
41		29	Tai Er Catering	PRC	23782813	September 28, 2018	September 27, 2028
42		38	Tai Er Catering	PRC	23783820	June 21, 2018	June 20, 2028
43		9	Tai Er Catering	PRC	23779242	June 21, 2018	June 20, 2028
44		41	Tai Er Catering	PRC	21594156	August 14, 2018	August 13, 2028
45		29	Tai Er Catering	PRC	21881334	December 28, 2017	December 27, 2027
46		29	Tai Er Catering	PRC	24085135	May 7, 2018	May 6, 2028
47		30	Tai Er Catering	PRC	24085413	May 7, 2018	May 6, 2028
48		35	Tai Er Catering	PRC	24085744	May 7, 2018	May 6, 2028
49		43	Tai Er Catering	PRC	20408218	August 14, 2017	August 13, 2027
50		29	Tai Er Catering	PRC	20407897	August 14, 2017	August 13, 2027
51		43	Tai Er Catering	PRC	20408175	August 14, 2017	August 13, 2027
52		29	Tai Er Catering	PRC	20408034	August 28, 2017	August 27, 2027
53		29	Tai Er Catering	PRC	19259388	April 14, 2017	April 13, 2027
54		25	Tai Er Catering	PRC	16961728	July 21, 2016	July 20, 2026
55		43	Tai Er Catering	PRC	16637523	September 28, 2016	September 27, 2026
56		43	Tai Er Catering	PRC	19629349	May 28, 2017	May 27, 2027
57		43	Tai Er Catering	PRC	19085964	March 14, 2017	March 13, 2027
58		43	Tai Er Catering	Australia	1836007	April 3, 2017	April 2, 2027
59		43	Tai Er Catering	Australia	1836006	April 3, 2017	April 2, 2027
60		29	Tai Er Catering	Australia	1936499	June 26, 2018	June 25, 2028
61		29	Tai Er Catering	Australia	1936498	June 26, 2018	June 25, 2028
62		43	Tai Er Catering	Macau	N/121834	September 11, 2017	September 11, 2024
63		43	Tai Er Catering	Macau	N/121835	September 11, 2017	September 11, 2024




No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
64		29	Tai Er Catering	Macau	N/141590	January 10, 2019	January 10, 2026
	Mr.2						
65	太二	29	Tai Er Catering	Macau	N/141591	January 10, 2019	January 10, 2026
66	Mr.2	43	Tai Er Catering	Macau	N/148250	May 28, 2019	May 28, 2026
67		29, 35, 43	Tai Er Catering	Germany	302017103717.5	May 8, 2017	April 30, 2027
68	太二	29, 35, 43	Tai Er Catering	Germany	302017103721.3	June 9, 2017	April 30, 2027
69		29, 35, 43	Tai Er Catering	France	174352393	April 6, 2017	April 5, 2027
70	太二	29, 35, 43	Tai Er Catering	France	174352397	April 6, 2017	April 5, 2027
71		43	Tai Er Catering	South Korea	40-1319772	January 8, 2018	January 8, 2028
72	太二	43	Tai Er Catering	South Korea	40-1398892	September 19, 2018	September 19, 2028
73		29	Tai Er Catering	South Korea	40-1493679	June 27, 2019	June 27, 2029
	Mr.2						
	太二						
74		29	Tai Er Catering	South Korea	40-1460876	March 21, 2019	March 21, 2029
75		16, 21, 25, 29, 32, 35, 41, 43	Tai Er Catering	Canada	TMA1004747	September 13, 2018	September 13, 2033
76	太二	16, 21, 25, 29, 32, 35, 41, 43	Tai Er Catering	Canada	TMA1011107	December 12, 2018	December 12, 2033
77		43	Tai Er Catering	Malaysia	2017056888	April 20, 2017	April 20, 2027

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
78	太二	43	Tai Er Catering	Malaysia	2017056887	April 20, 2017	April 20, 2027
79		43	Tai Er Catering	America	5478597	May 29, 2018	May 28, 2028
80	太二	43	Tai Er Catering	America	5478596	May 29, 2018	May 28, 2028
81	太二	43	Tai Er Catering	Japan	5993711	November 2, 2017	November 2, 2027
82		43	Tai Er Catering	Japan	5993710	November 2, 2017	November 2, 2027
83		29	Tai Er Catering	Japan	6146585	May 24, 2019	May 24, 2029
84	Mr.2 太二	29	Tai Er Catering	Japan	6139159	April 19, 2019	April 19, 2029
85	Mr.2	43	Tai Er Catering	Japan	6198932	November 15, 2019	November 15, 2029
86		43	Tai Er Catering	Sweden	540123	June 9, 2017	June 9, 2027
87	太二	43	Tai Er Catering	Sweden	541573	September 14, 2017	September 14, 2027
88		29, 30	Tai Er Catering	Sweden	548033	September 25, 2018	September 25, 2028
89	Mr.2 太二	29, 30	Tai Er Catering	Sweden	548032	September 25, 2018	September 25, 2028
90	太二	43	Tai Er Catering	Taiwan	01927880	July 16, 2018	July 15, 2028
91		43	Tai Er Catering	Taiwan	01915600	May 16, 2018	May 15, 2028
92	太二	29	Tai Er Catering	Taiwan	01961831	January 1, 2019	December 31, 2028

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
93		43	Tai Er Catering	Hong Kong	304097476	March 16, 2017	March 15, 2027
94	太二	43	Tai Er Catering	Hong Kong	304079485	March 16, 2017	March 15, 2027
95	Mr.2	43	Tai Er Catering	Hong Kong	304774212	December 18, 2018	December 17, 2028
96	太二	43	Tai Er Catering	Singapore	40201705045Q	September 7, 2017	March 29, 2027
97		43	Tai Er Catering	Singapore	40201705044V	October 6, 2017	March 29, 2027
98		29	Tai Er Catering	Singapore	40201812334W	January 10, 2019	June 25, 2028
99	Mr.2	29	Tai Er Catering	Singapore	40201812333Y	January 10, 2019	June 25, 2028
100	太二	43	Tai Er Catering	New Zealand	1063784	April 3, 2017	April 2, 2027
101	太二	43	Tai Er Catering	New Zealand	1063783	April 3, 2017	April 2, 2027
102		43	Tai Er Catering	New Zealand	1063783	April 3, 2017	April 2, 2027
102		29	Tai Er Catering	New Zealand	1096283	June 26, 2018	June 25, 2028
103	Mr.2	29	Tai Er Catering	New Zealand	1096282	June 26, 2018	June 25, 2028
103	太二	29	Tai Er Catering	New Zealand	1096282	June 26, 2018	June 25, 2028
104		43	Tai Er Catering	the United Kingdom	UK00003223851	June 30, 2017	April 7, 2027
105	太二	43	Tai Er Catering	the United Kingdom	UK00003223854	August 18, 2017	April 7, 2027
106		29, 30	Tai Er Catering	the United Kingdom	UK00003320918	September 28, 2018	June 26, 2028
107	Mr.2	29, 30	Tai Er Catering	the United Kingdom	UK00003320899	September 28, 2018	June 26, 2028
107	太二	29, 30	Tai Er Catering	the United Kingdom	UK00003320899	September 28, 2018	June 26, 2028

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
108		43	Cong Xin	PRC	21799480	December 21, 2017	December 20, 2027
109		32	Cong Xin	PRC	32576449	July 28, 2019	July 27, 2029
110		25	Cong Xin	PRC	32580838	September 7, 2019	September 6, 2029
111		35	Cong Xin	PRC	32580877	July 28, 2019	July 27, 2029
112		43	Cong Xin	PRC	35406089	September 7, 2019	September 6, 2029
113		43	Cong Xin	PRC	35406929	September 21, 2019	September 20, 2029
114		43	Cong Xin	PRC	35412229	September 7, 2019	September 6, 2029
115		43	Cong Xin	PRC	35424782	September 14, 2019	September 13, 2029
116		43	Guangzhou Double Eggs	PRC	21163326	November 7, 2017	November 6, 2027
117		30	Guangzhou Double Eggs	PRC	23727338	April 14, 2018	April 13, 2028
118		43	Guangzhou Double Eggs	PRC	23726982	April 14, 2018	April 13, 2028
119		30	Guangzhou Double Eggs	PRC	23787497	April 14, 2018	April 13, 2028
120		43	Guangzhou Double Eggs	PRC	23787921	April 14, 2018	April 13, 2028
121		43	Guangzhou Double Eggs	PRC	23788160	April 14, 2018	April 13, 2028
122		43	Guangzhou Double Eggs	PRC	22580966	February 14, 2018	February 13, 2028
123		43	Guangzhou Double Eggs	PRC	24860936	June 28, 2018	June 27, 2028
124		43	Guangzhou Double Eggs	PRC	24873521	June 28, 2018	June 27, 2028
125		43	Guangzhou Double Eggs	PRC	24862304	July 7, 2018	July 6, 2028
126		43	Guangzhou Uncle Chef	PRC	28473830	December 7, 2018	December 6, 2028

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which are material in relation to our business:

No.	Trademark	Class	Name of applicant	Place of application	Application number	Application date
1		33	Cong Xin	PRC	38768554	June 10, 2019
2		29	Tai Er Catering	Malaysia	2018064030	July 19, 2018
3		29	Tai Er Catering	Malaysia	2018064031	July 19, 2018

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which are material in relation to our business:

<u>No.</u>	<u>Domain name</u>	<u>Registrant</u>	<u>Registration date</u>	<u>Expiry date</u>
1	jiumaojiu.com	Guangzhou Jiumaojiu	May 8, 2004	May 8, 2025
2	jmj1995.com	Guangzhou Jiumaojiu	November 4, 2015	November 4, 2023
3	unclechef.cn	Guangzhou Jiumaojiu	July 2, 2018	August 2, 2020 ⁽¹⁾

Note:

- We will renew the registration of the domain name and, as confirmed by our PRC Legal Advisor, there will not be any material impediment in renewing the registration of the domain name upon submission of all the requisite documents and payment of all the requisite fees.

(c) Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which are material in relation to our business:

<u>No.</u>	<u>Title of copyright</u>	<u>Registered owner</u>	<u>Registration number</u>	<u>Place of registration</u>	<u>Filing date</u>
1	九毛九電子卡券系統	Guangzhou Jiumaojiu	2016SR260394	PRC	September 13, 2016
2	九毛九食材管理系統	Guangzhou Jiumaojiu	2016SR187535	PRC	July 20, 2016
3	九毛九數據營銷平台	Guangzhou Jiumaojiu	2016SR259418	PRC	September 13, 2016
4	九毛九數字餐飲門店系統	Guangzhou Jiumaojiu	2016SR259587	PRC	September 13, 2016
5	九毛九微信自助點餐軟件	Guangzhou Jiumaojiu	2016SR259574	PRC	September 13, 2016
6	九毛九無線外賣系統	Guangzhou Jiumaojiu	2016SR260738	PRC	September 13, 2016
7	九毛九員工培訓平台	Guangzhou Jiumaojiu	2016SR260656	PRC	September 13, 2016
8	慇懃眉小人	Cong Xin	國作登字-2018-F-00614033	PRC	September 7, 2018
9	不油膩的酸菜魚	Guangzhou Happy Mouth	國作登字-2018-F-00627049	PRC	September 27, 2018
10	咧嘴	Guangzhou Happy Mouth	國作登字-2018-F-00627045	PRC	September 27, 2018
11	咧嘴人臉	Guangzhou Happy Mouth	國作登字-2018-F-00627046	PRC	September 27, 2018
12	咧嘴魚	Guangzhou Happy Mouth	國作登字-2018-F-00627048	PRC	September 27, 2018
13	HAPPY MOUTH	Guangzhou Happy Mouth	國作登字-2018-A-00627047	PRC	September 27, 2018

(d) Patents

As of the Latest Practicable Date, we have registered the following patents which are material to our business:

<u>No.</u>	<u>Patent</u>	<u>Category</u>	<u>Patentee</u>	<u>Place of registration</u>	<u>Patent number</u>	<u>Application date</u>
1	瓶子(九毛九)	Design	Guangzhou Jiumaojiu	PRC	ZL2016302098803	May 30, 2016
2	外賣餐盒	Design	Guangzhou Jiumaojiu	PRC	ZL2018300917170	March 13, 2018
3	外賣調味盒	Design	Guangzhou Jiumaojiu	PRC	ZL2018300916623	March 13, 2018
4	一種抽拉式雞蛋包裝盒	Utility model	Guangzhou Double Eggs	PRC	CN201821352372	August 22, 2018
5	一種易撕的食品包裝袋	Utility model	Guangzhou Double Eggs	PRC	CN201821207363	July 27, 2018
6	雞蛋包裝盒	Design	Guangzhou Double Eggs	PRC	CN201830465846	August 22, 2018
7	雞蛋煎餅盒	Design	Guangzhou Double Eggs	PRC	CN201830412420	July 27, 2018

Save as aforesaid, as at the Latest Practicable Date, there were no other trade or service marks, patents, designs, intellectual or industrial property rights which were material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of our Directors and the Chief Executive of Our Company

Immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares that may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme, the interests or short positions of our Directors and chief executive of our Company 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 be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were 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 in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) Interest in our Company

<u>Name of Director</u>	<u>Nature of Interest</u>	<u>Immediately following the completion of the Global Offering</u>	
		<u>Number of Shares held</u>	<u>Approximate percentage of shareholding interest⁽¹⁾</u>
Mr. Guan ^(Note 2)	Interest in controlled corporation	614,445,000	46.08%

Notes:

- (1) The calculation is based on the total number of Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme).
- (2) GYH BVI is owned as to 100% by Mr. Guan. Accordingly, Mr. Guan is deemed to be interested in all the Shares held by GYH BVI upon the completion of the Global Offering.

(ii) *Interest in associated corporations of our Company*

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Nature of interest</u>	<u>Number of shares held</u>	<u>Approximate percentage of shareholding interest</u>
Mr. Guan	GYH BVI	Beneficial owner	10,000	100%

(b) Interests of the Substantial Shareholders

Save as disclosed in “Substantial Shareholders”, immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which may be granted pursuant to the Share Option Scheme, our Directors are not aware of any other person (other than a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and any of our subsidiaries.

2. Directors’ Service Contracts and Letters of Appointment

Each of our executive Directors has entered into a service contract with our Company on December 6, 2019, and we have issued letters of appointment to our non-executive Director and each of our independent non-executive Directors. The service contracts with each of our executive Directors and the letters of appointment with our non-executive Director and each of our independent non-executive Directors are for an initial fixed term of three years commencing from December 6, 2019. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, 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)).

3. Directors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors for the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2019 were approximately RMB1.8 million, RMB2.2 million, RMB2.5 million and RMB1.3 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of the years ended December 31, 2016, 2017 and 2018 and six months ended June 30, 2019, by any of member of the Group to any of our Directors.

Pursuant to the service contracts entered into between our Company and each of our executive Directors and the appointment letters issued to our non-executive Director and independent non-executive Directors, the basic annual salary and the contractual annual performance bonus payable to each of our Directors are as follows:

<u>Director</u>	<u>Remuneration (per annum)</u>
Mr. Guan Yihong (管毅宏)	RMB811,200
Mr. Li Zhuoguang (李灼光)	RMB636,000
Ms. Cui Longyu (崔弄宇)	RMB636,000
Mr. Zou Dinghang (鄒定航)	—
Mr. Deng Tao (鄧濤)	RMB120,000
Mr. Zhong Weibin (鐘偉斌)	RMB120,000
Mr. Ivan Xu	RMB120,000

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending December 31, 2019 to be approximately RMB8.4 million.

4. Directors' Competing Interests

Save as disclosed in "Relationship with Controlling Shareholders — Competing Interest", none of our Directors is interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

5. Disclaimers

Save as disclosed in "History, Reorganization and Corporate Structure" and "Relationship with Controlling Shareholders" in this prospectus and this Appendix:

- (a) none of our Directors or chief executive of our Company has any interests or short positions 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 be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken 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 in that section, or which will

be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;

- (b) so far as is known to our Directors, no person has an interest or short position in the shares of our Company and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries;
- (c) none of our Directors nor any of the persons listed in “— E. Other Information — 5. Qualification of Experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors nor any of the persons listed in “— E. Other Information — 5. Qualification of Experts” below is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;
- (e) save in connection with Underwriting Agreements, none of the persons listed in “— E. Other Information — 5. Qualification of Experts” below 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;
- (f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and
- (g) none of our Directors, their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company’s five largest customers and five largest suppliers.

D. SHARE INCENTIVE SCHEMES

Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by our Shareholders on December 6, 2019 and its implementation is conditional on the Listing.

For the purpose of this section only, unless the context otherwise requires, the following words shall have the following meanings:

“Eligible Person”	means any director or Employee of our Group who in the sole discretion of our Board has contributed or will contribute to our Group;
“Employee”	means any employee or officer of any member of our Group;
“Grantee”	means any Eligible Person who accepts an offer in accordance with the terms of the Scheme or (where the context so permits) any person entitled to exercise any option in consequence of the death of the original Grantee; and
“Offer Date”	means the date on which an offer of the grant of an option is made to an Eligible Person which date must be a business day.

1. Purpose

The purpose of the Share Option Scheme is to provide our Company with a means of incentivising the Eligible Persons and retaining Employees, and to encourage Employees to work towards enhancing the value of our Company and promote the long-term growth of our Company. The Share Option Scheme will link the value of our Company with the interests of the Eligible Persons, enabling the Eligible Persons and our Company to develop together and promoting our Company’s corporate culture.

2. Who may participate

Subject to the terms of the Share Option Scheme, our Board shall be entitled at any time within the period of 10 years after the adoption date to grant options to any Eligible Person as our Board may in its absolute discretion select.

3. Grant of options to connected persons or any of their associates

Each grant of options to a Director (including an independent non-executive Director) of our Company, chief executive or substantial Shareholder of our Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Grantee of the options).

Where any grant of options to a substantial Shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) 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; and

- having an aggregate value, based on the closing price of the Shares as stated on the Stock Exchange on the date of such grant, in excess of HK\$5 million,

such grant of options must be approved by our Shareholders in general meeting. Our Company will send a circular to our Shareholders in accordance with the Listing Rules and the Grantee, his associates and all core connected persons of our Company shall abstain from voting in favor of the resolution to approve such grant of options.

4. Restrictions on the time of grant of options

No offer shall be made and no option shall be granted to any Eligible Persons in circumstances prohibited by the Listing Rules at a time when the Eligible Persons would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- 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 our Company's results for any year, half-year, quarterly or other interim period; and
- the deadline for our Company to publish its interim or annual results announcement under the Listing Rules,

and ending on the date of actual publication of such results announcement.

5. Exercise price

The exercise price shall be a price determined by our Board at our Board's absolute discretion and notified to an Eligible Person but in any event shall be at least the higher of:

- the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the Offer Date;
- the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the Shares where our Company has been listed for less than five business days or at the Offer Date); and
- the nominal value of a Share on the Offer Date,

provided that, for the purpose of determining the exercise price where the Shares have been listed on the Stock Exchange for less than five business days, the issue price of the Shares in our Company's global offering of the Shares shall be used as the closing price of the Shares for any business day falling within the period before the listing of the Shares on the Stock Exchange.

Participants are required to pay HK\$1.00 as consideration for the acceptance of an option granted to them.

6. Maximum number of Shares

- (i) The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and all other share option schemes existing at such time of our Company shall not in aggregate exceed 133,340,000 Shares, being 10% of the total number of Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”). Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

Our Company may renew the Scheme Mandate Limit at any time subject to prior Shareholders’ approval but in any event, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the renewal of the Scheme Mandate Limit. Options previously granted under the existing share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit. Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules.

- (ii) Notwithstanding the foregoing, our Company may grant options beyond the Scheme Mandate Limit to Eligible Persons if:
- separate Shareholders’ approval has been obtained for granting options beyond the Scheme Mandate Limit to Eligible Persons specifically identified by our Company before such Shareholders’ approval is sought; and
 - our Company, in connection with the seeking of such separate Shareholders’ approval, has first sent a circular to Shareholders containing such information as may be required by the Listing Rules then prevailing to be included in such circular.
- (iii) Subject to paragraph (iv) below, the maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted to any Eligible Persons under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in any 12 month period shall not at the time of grant exceed 1% of the Shares in issue.
- (iv) Where any further grant of options to an Eligible Person would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue,

such further grant must be separately approved by Shareholders in general meeting with such Eligible Person and his associates abstaining from voting. Our Company must send a circular to the Shareholders containing the information required under the Listing Rules.

- (v) At any time, the maximum number of Shares which may be issued upon exercise of all options which then have been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes of our Company shall not exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

7. Time of exercise of options

Subject to the terms of grant of any option, an option may be exercised by the Grantee at any time during the option period and in accordance with the vesting schedule and other terms specified in the offer.

8. Duration of the Share Option Scheme

No option may be vested more than 10 years after the Offer Date. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date.

9. Performance targets

Subject to such terms and conditions as our Board may determine, there is no minimum period for which an option must be held before it can be exercised and no performance target needs to be achieved by the Grantee before the options can be exercised.

10. Rights attaching to the Shares

(i) Dividends and voting rights

Shares issued on the exercise of an option will rank equally in all respects with the Shares in issue on the date of exercise of the option. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of exercise of the option.

(ii) Restrictions on transfer

An option shall be personal to the Grantee and shall not be assignable nor transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favor of any third party over or in relation to any option.

11. Amendments to the Share Option Scheme

Save for certain specific provisions, our Board may alter any of the other terms of the Share Option Scheme. Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Grantees, and changes to the authority of our Board in relation to any alteration of the terms of the Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of options granted, must also, to be effective, be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

12. Effects of alterations to share capital

In the event of any alteration to the capital structure of our Company while any option has been granted or remains exercisable, whether by way of capitalization issue, rights issue, subdivision or consolidation of shares or reduction of share capital of our Company (but excluding any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party), adjustments (if any) shall be made at our Board's discretion to:

- (i) the number of Shares to be issued on exercise of the options; and/or
- (ii) the exercise price of the options.

The auditors or financial advisors engaged by our Company for the purpose of adjustments shall certify in writing to our Board that such adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes (the "**Supplemental Guidance**"). The capacity of the auditors or financial advisors is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the Grantees.

Any such adjustments shall give the Grantees the same proportion of the equity capital of our Company and any adjustments to the advantage of the Grantees to the exercise price or to the number of Shares subject to the options must be approved by our Shareholders in general meeting, and no adjustment may be made to the extent that Shares would be issued at less than their nominal value. In addition, any adjustment to be made will comply with the Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

13. Rights on termination of employment

If the Grantee ceases to be an Eligible Person by reason of the termination of his/her employment, appointment or directorship, the option shall lapse on the date of cessation and not be exercisable. The date of such cessation shall be his/her last actual working day at his/her work place with our Group whether salary is paid in lieu of notice or not.

14. Rights on death

If the Grantee of an outstanding option dies before exercising his/her option, such option may be exercised by his/her personal representative(s) within a period of six months following the date of his/her death.

15. Rights on a general offer by way of voluntary offer or takeover

In the event of a general offer by way of voluntary offer or takeover (other than by way of scheme of arrangement) being made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, our Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company at any time within such period as shall be notified by our Company.

16. Rights on a general offer by way of scheme of arrangement

In the event of a general offer by way of scheme of arrangement being made to all our Shareholders and approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company.

17. Rights on winding up

In the event a notice is given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option.

18. Rights on retirement

In the event the date of retirement of a Grantee falls before the date of the Grantee exercising the option in full, the Grantee shall be entitled to exercise the option within a period of six months from the date of retirement.

19. Rights on a compromise or arrangement

In the event of a compromise or arrangement (other than a scheme of arrangement) between our Company and our Shareholders and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as we first give notice of the meeting to our Shareholders and/or creditors to consider such a scheme or arrangement and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option.

20. Lapse of option

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

- the expiry of the option period;
- the date of cessation referred to in paragraph 13;
- the date of cessation referred to in paragraph 18;
- the expiry of any of the periods referred to in paragraph 14;
- the expiry date specified in the notice from our Company referred to in paragraph 15;
- subject to the scheme of arrangement becoming effective, the expiry date specified in the notice from our Company referred to in paragraph 16;
- the date of the commencement of the winding-up of our Company;
- the date on which the Grantee ceases to be an Eligible Person by reason of the termination of his employment, appointment or directorship on the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his/her employment summarily;

- any other expiration events as our Company may notify the Grantee from time to time;
- the date on which the Grantee commits a breach by selling, transferring, charging, mortgaging, encumbering or creating any interest in favor of any third party over or in relation to any option;
- where the Grantee is an employee or director of a member of our Group (other than our Company), the date on which such member ceases to be a member of our Group;
- unless our Board otherwise determines, and other than in the circumstances listed above, the date the Grantee ceases to be an Eligible Person (as determined by a Board resolution) for any reason; and
- the date on which the option is cancelled by our Board as provided in paragraph 22.

21. Termination of the Share Option Scheme

Our Company, by ordinary resolution in general meeting, or our Board, may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

22. Cancellation of option

Our Company may cancel any option granted but not exercised at any time. Where our Company cancels options and offers options to the same Grantee, the offer of such new options may only be made with available options to the extent not yet granted (excluding the cancelled options) within the Scheme Mandate Limit.

23. General

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Shares which may be issued pursuant to the exercise of the options which may be granted pursuant to the Share Option Scheme.

As of the Latest Practicable Date, no option had been granted or agreed to be granted by our Company pursuant to the Share Option Scheme.

Details of the Share Option Scheme, including particulars and movements of the options granted during each financial year of our Company, and our employee costs arising from the grant of the options will be disclosed in our annual report.

Restricted Stock Unit Scheme

The Group's Controlling Shareholder, Mr. Guan, operated a share-based incentive scheme (the "**Old RSU Scheme**") under which the restricted stock units ("**RSUs**") of Guangzhou Jiumaojiu were granted as share incentives to qualified directors and employees of Guangzhou Jiumaojiu and its subsidiaries (the "**RSU grantees**") through an employee shareholding platform (the "**RSU platform**"), Guangzhou Maixuan, which was a shareholder of Guangzhou Jiumaojiu prior to the Reorganization. The following is a summary of the principal terms of the restricted stock units scheme (the "**RSU Scheme**"), which largely mirror that of the Old RSU Scheme, approved and adopted by the board of Directors to govern the RSU granted under the Old RSU Scheme approved and adopted by the board of directors of Guangzhou Jiumaojiu on December 3, 2014. All RSUs granted under the Old RSU Scheme were converted into the shares of MT BVI and MX BVI upon the completion of the Reorganization on June 14, 2019. No restricted stock units have been granted or will be granted under the RSU Scheme. No more RSUs will be granted under the Old RSU Scheme. If any RSU lapses, the corresponding Shares will be transferred to Mr. Guan or his wholly owned investment vehicle after the Listing. The RSU Scheme will terminate as soon as all the RSUs granted under the Old RSU Scheme lapse or vest.

1. Participants in the RSU Scheme

Persons eligible to receive RSU(s) under the RSU Scheme are employees, senior management, directors (whether executive or non-executive, but excluding independent non-executive directors) or officers who have worked in Guangzhou Jiumaojiu or any of its subsidiaries for two years or more (the “**RSU Eligible Persons**”). The board of directors or the sole director (as the case may be) of Guangzhou Jiumaojiu selects and approves the RSU Eligible Persons, and the chairperson of the board of directors or the sole director (as the case may be) of Guangzhou Jiumaojiu reserves the final right to confirm the RSU Eligible Persons at his/her own discretion.

The following table sets forth the existing RSU grantees and their positions in the Group as of the Latest Practicable Date:

No.	Name	Position
1	Yan Zhiwen	Director of Internal Audit of the Group
2	Luo Xiaojun	Former General Manager of Guangzhou Jiumaojiu
3	He Chengxiao	Brand Manager of Tai Er
4	Cui Longyu	Executive Director; Director of Human Resource of the Group
5	Fu Peihong	Head of Central Kitchens of the Group
6	Hu Jinghua	Director of Research and Development for Jiu Mao Jiu
7	Hu Zhonghua	Director of Development of the Group
8	Huang Zhaohong	Brand Manager of Jiu Mao Jiu
9	Li Zhuoguang	Executive Director and Chief Financial Officer
10	Li Weiye	Brand Manager of Uncle Chef
11	Deng Weibiao	Maintenance Manager of the Group
12	Li Hongwei	Head of the Central Kitchen in Haikou
13	Shi Shengliang	Engineering Procurement Manager of the Group
14	Ye Shaojin	Head of Delivery Services of Jiu Mao Jiu
15	Zhang Liufeng	Manager of Information Technology Department of the Group
16	Zhang Xiaolin	Head of “Jiu Mao Jiu Noodles Academy”
17	Zhang Zailin	Senior Manager of Public Relation Department of the Group
18	Huang Bobo	Director of Engineering of the Group
19	Liao Yuyan	Deputy Director of Customer Experience of the Group
20	Cai Yongxiang	Brand Manager of Double Eggs
21	Chen Jinjin	Head of Northern China Market for Jiu Mao Jiu
22	Wu Youming	Head of Hainan Market for Jiu Mao Jiu
23	Wang Chaosheng	Manager of Research and Development for Jiu Mao Jiu
24	Fu Tianliang	Director of Operation for Tai Er
25	Rao Longxiang	Director of Brand for Jiu Mao Jiu
26	Li Ming	Engineering Manager of the Group
27	Ren Houjun	Engineering Manager of the Group
28	Liao Wenhua	Manager of Training for Jiu Mao Jiu
29	Xiong Junxiong	Director of Brand for Jiu Mao Jiu
30	Wu Jia	Procurement Manager of the Group
31	Lan Huawei	Manager of Operation for Tai Er

2. *Assignment of RSUs*

Each participant in the RSU Scheme (the “**RSU Participant**”) shall remain in service with Guangzhou Jiumaojiu or any of its subsidiaries for five years from the date of granting the RSUs (the “**Service Period**”) and the RSUs shall vest at the end of the Service Period. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer. The RSUs granted pursuant to the RSU Scheme are personal to each RSU Participant, and are not assignable during the Service Period, unless otherwise permitted under the RSU Scheme.

3. *Lapse of RSUs*

There are certain circumstances the occurrence of which during the Service Period will result in the lapse of the RSUs vested to the RSU Participant, including, among others, (i) the RSU Participant ceases to be an employee of Guangzhou Jiumaojiu or any of its subsidiaries (ii) serious breach of employment contract or any other internal guidelines by the RSU Participant and (iii) serious acts of misconduct committed by the RSU Participant leading to loss suffered by Guangzhou Jiumaojiu.

E. OTHER INFORMATION

1. **Estate Duty and Tax Indemnity**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

Our Controlling Shareholders have entered into the Deed of Indemnity dated December 6, 2019 with and in favor of our Company (for ourselves and as trustee for our subsidiaries) whereby our Controlling Shareholders have jointly and severally given indemnities in connection with, among other things, any liability for estate duty under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), or legislation similar thereto in Hong Kong or any jurisdictions outside Hong Kong which might be incurred by any member of our Group on or before the Listing Date, and other taxation (including all fines, penalties, costs, charges, expenses and interests relating to taxation) which may be suffered by any member of our Group in respect of, among other things, any income, profits or gains earned, accrued or received on or before the Listing Date, save:

- (a) to the extent that specific provision or reserve has been made for such taxation in the audited consolidated financial information of our Group as set out in Appendix I (the “**Accounts**”);
- (b) to the extent that the liability for such taxation would not have arisen but for any act or omission of, or delay by, our Company or any other member of our Group after the Listing Date; and
- (c) to the extent such loss arises or is incurred only as a result of a retrospective change in law or regulations or the interpretation or practice thereof by any relevant authority coming into force after the Listing Date.

In addition, our Controlling Shareholders have also given indemnities to our Company (for ourselves and as trustee for our subsidiaries) against all fines, penalties, claims, costs, expenses and losses (to the extent that provision, reserve or allowance has not been made for such fines, penalties, claims, costs, expenses or losses in the Accounts) incurred by any member of our Group after the Listing resulting from any non-compliance of any member of our Group with the applicable laws and regulations or any defects regarding leased properties as disclosed in “Business — Licenses, Regulatory Approvals and Compliance”, “Business — Properties — Properties Leased in the PRC” and “Business — Properties — Lease Registration” of this prospectus.

2. Litigation

As of the Latest Practicable Date, save as disclosed in “Business — Legal Proceedings” and “Business — Licenses, Regulatory Approvals and Compliance”, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on our business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and the Shares to be issued pursuant to the exercise of the options which may be granted pursuant to the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Please refer to “Underwriting — Independence of the Sole Sponsor” for details regarding the independence of the Sole Sponsor.

The fees payable to the Sole Sponsor are US\$1.0 million and are payable by our Company.

4. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2019 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualification</u>
CMB International Capital Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
KPMG	Certified Public Accountants
Zhong Lun Law Firm	Legal advisors as to PRC law
Walkers (Hong Kong)	Legal advisors as to Cayman Islands law
Frost & Sullivan	Industry consultant
BT Corporate Governance Limited	Internal control consultant
Guangzhou Dongya Co., Ltd	Fire safety consultant

6. Consents of Experts

Each of the experts as referred to in “E. Other Information — 5. Qualification of Experts” in this Appendix has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report(s) and/or letter(s) and/or legal opinion (as the case may be) and references to its name included in the form and context in which they respectively appear.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Preliminary Expenses

The preliminary expenses incurred by our Company were approximately US\$22,800 and were payable by us.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Miscellaneous

- (a) Save as disclosed in this prospectus:
- (i) within the two years immediately preceding the date of this prospectus, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
 - (iv) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
 - (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and
 - (vi) there is no arrangement under which future dividends are waived or agreed to be waived.

- (b) Our Directors confirm that:
- (i) since June 30, 2019 (being the date on which the latest audited consolidated financial statements of our Group were made up), there has been no material adverse change in our financial or trading position or prospects;
 - (ii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus; and
 - (iii) our Company has no outstanding convertible debt securities or debentures.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

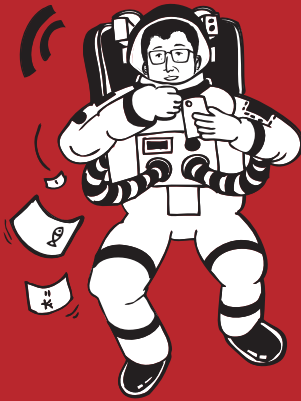
- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) copies of the material contracts referred to in “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV; and
- (c) the written consents referred to in “Statutory and General Information — E. Other Information — 6. Consents of Experts” in Appendix IV.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Miao & Co. (in association with Han Kun Law Offices), Rooms 3901–05, 39/F., Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information prepared by KPMG, the texts of which are set out in Appendices I and II, respectively;
- (c) the legal opinions issued by Zhong Lun Law Firm, our PRC Legal Advisor, dated December 30, 2019 in respect of certain aspects of our Group;
- (d) the letter of advice prepared by Walkers (Hong Kong), our Cayman legal advisor, summarizing certain aspects of the Cayman Companies Law referred to in Appendix III;
- (e) the report issued by Guangzhou Dongya Co., Ltd., the Fire Safety Consultant, in respect of its findings on the fire safety inspection on certain restaurants and the central kitchen which had not obtained relevant fire safety approvals;
- (f) the review report issued by BT Corporate Governance Limited, the Internal Control Consultant, in respect of certain aspects of the internal controls of our Group;
- (g) the independent market research for the PRC catering service market issued by Frost & Sullivan;
- (h) the material contracts referred to in “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV;
- (i) the written consents referred to in “Statutory and General Information — E. Other Information — 6. Consents of Experts” in Appendix IV;

- (j) service contracts and letters of appointment referred to in “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Directors’ Service Contracts and Letters of Appointment” in Appendix IV;
- (k) the rules of the Share Option Scheme;
- (l) the Cayman Companies Law; and
- (m) the audited consolidated financial statements of our Company for the Track Record Period.



九毛九国际控股有限公司
Jiumaojiu International Holdings Limited