Application Proof of

Guangzhou Xiao Noodles Catering Management Co., Ltd.
廣州遇見小麵餐飲股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Securities and Futures Commission (the "**Commission**") solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with Guangzhou Xiao Noodles Catering Management Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**"), its sole sponsor, overall coordinators, advisers or members of the underwriting syndicate that:

(a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;

(b) the publication of this document or any supplemental, revised or replacement pages on the Stock Exchange's website does not give rise to any obligation of the Company, its sole sponsor, overall coordinators, advisers or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;

(c) the contents of this document or any supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;

(d) the Application Proof is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on the Stock Exchange;

(e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;

(f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;

(g) neither the Company nor any of its affiliates, its sole sponsor, overall coordinators, advisers or underwriters is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;

(h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;

(i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;

(j) as there may be legal restrictions on the publication of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and

(k) the application to which this document relates has not been approved for listing and the Stock Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

No offer or invitation will be made to the public in Hong Kong until after a prospectus of the Company has been registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be published to the public during the offer period.

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

IMPORTANT

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

Guangzhou Xiao Noodles Catering Management Co., Ltd.
廣州遇見小麵餐飲股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**[REDACTED] per H Share plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB0.02 per H Share**
[REDACTED]	**:**	**[REDACTED]**

Sole Sponsor

招銀国际 CMB INTERNATIONAL

[REDACTED]

The [**REDACTED**] is expected to be fixed by agreement between the [**REDACTED**] and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**] and [**REDACTED**]) and our Company on the [**REDACTED**]. The [**REDACTED**] is expected to be on or around [**REDACTED**] and, in any event, not later than 12:00 noon on [**REDACTED**]. The [**REDACTED**] will be not more than [**REDACTED**] and is currently expected to be not less than [**REDACTED**]. Applicants for [**REDACTED**] may be required to pay, on application (subject to application channels), the [**REDACTED**] together with a brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%. If, for any reason, the [**REDACTED**] is not agreed by 12:00 noon on [**REDACTED**] among the [**REDACTED**] and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**] and [**REDACTED**]) and our Company, the [**REDACTED**] will not proceed and will lapse.

The [**REDACTED**] and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**] and [**REDACTED**]) may, with our consent, reduce the number of [**REDACTED**] being [**REDACTED**] under the [**REDACTED**] and/or the indicative [**REDACTED**] Range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the [**REDACTED**]. In such a case, a notice of the reduction of the number of [**REDACTED**] and/or the indicative [**REDACTED**] range will be published on the website of the Stock Exchange at **www.hkex.com.hk** and our website at **www.xiaonoodles.com** 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 [**REDACTED**]. ~~Further details~~ are set forth in "Structure of the [**REDACTED**]" and "How to Apply for the [**REDACTED**]" in this document.

The obligations of the [**REDACTED**] under the [**REDACTED**] are subject to termination by the [**REDACTED**] and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**] and [**REDACTED**]) if certain grounds arise prior to [**REDACTED**] on the [**REDACTED**]. See "[**REDACTED**] — [**REDACTED**] Arrangements and Expenses — [**REDACTED**] — Grounds for termination".

Prior to making an [**REDACTED**] decision, potential [**REDACTED**] should consider carefully all of the information set out in this document, including the risk factors set out in "Risk Factors".

The [**REDACTED**] 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 [**REDACTED**], sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [**REDACTED**] are being [**REDACTED**] and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

CONTENTS

IMPORTANT NOTICE TO PROSPECTIVE [REDACTED]

This document is issued by us solely in connection with the [**REDACTED**] *and the* [**REDACTED**] *and does not constitute an* [**REDACTED**] *to sell or a solicitation of an* [**REDACTED**] *to buy any security other than the* [**REDACTED**] *by this document pursuant to the* [**REDACTED**]. *This document may not be used for the purpose of making, and does not constitute, an* [**REDACTED**] *or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a* [**REDACTED**] *of the* [**REDACTED**] *in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document for purposes of a* [**REDACTED**] *and the* [**REDACTED**] *and sale of the* [**REDACTED**] *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 document to make your [**REDACTED**] *decision. The* [**REDACTED**] *is made solely on the basis of the information contained and the representations made in this document. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not contained nor made in this document must not be relied on by you as having been authorized by us, any of the Sole Sponsor, the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the* [**REDACTED**].

CONTENTS

CONTENTS

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to [**REDACTED**] *in the* [**REDACTED**].

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

OVERVIEW

We are a leading and fast-growing modern Chinese noodle restaurants operator in China. We operate the *Xiao Noodles* (遇見小麵) brand in the Chinese mainland and Hong Kong SAR. Our restaurant network encompassed 374 restaurants across 22 cities in the Chinese mainland and six restaurants in Hong Kong SAR as of the Latest Practicable Date. Leveraging our strong growth momentum, we had 64 new restaurants in pre-opening preparation as of the Latest Practicable Date. According to Frost & Sullivan, we were the largest Sichuan-Chongqing style noodle restaurants operator and the fourth largest Chinese noodle restaurants operator in China in terms of GMV in 2024. We have also achieved the highest CAGR of GMV from 2022 to 2024 among 2024's top ten Chinese noodle restaurants operators in China.

Our Origin

In 2014, our young and well-educated founding team, Mr. Song, Mr. Su and Ms. Luo, discovered their passion, Chongqing noodles, in the prime of their youth and established their first single-location noodle house on Tiyu East Street in Guangzhou, embarking on their entrepreneurial journey. We embraced that goal wholeheartedly, pursuing it with relentless determination and a commitment to excellence. This is the origin of our brand "*Xiao Noodles*". Our founding team, Mr. Song, Mr. Su and Ms. Luo, graduated from South China University of Technology, a tertiary science and engineering institution in Guangzhou. Mr. Song and Ms. Luo also obtained master's degrees from the Hong Kong University of Science and Technology. Under the leadership of our founding team, in particular, Mr. Song, our founder, who had practical experience in international fast food chain, we have developed a business model with high degree of standardization (高度標準化), streamlined systemization (高效體系化) and advanced intelligent digitalization (先進數智化), which forms the cornerstone of our success, seamlessly integrating the traditional appeal of the Chinese noodle houses with modern restaurant management.

Signature Dishes

We began our journey driven by a passion for Chongqing noodles (重慶小麵), a series of spicy flavor staple dishes originated in the mountain city Chongqing. With its unique aroma, it has garnered enduring popularity across the country. According to Frost & Sullivan, we ranked the first among all restaurant chains in China in terms of offline sales volume of Chongqing noodles, noodles with peas and meat sauce (豌雜麵) and hot and sour sweet potato noodles (酸辣粉) from 2022 to 2024 for three consecutive years. Being a Chinese restaurant chain (中式餐飲連鎖品牌) that specializes in Chongqing noodles, we have expanded our offerings to a diverse range of spicy and non-spicy dishes encompassing noodles, rice, snacks and beverages.

Multifaceted Business Operation (多元化經營)

We are dedicated to delivering a value-for-money customer experience that combines delicious flavors, speedy services, courteous staff and spotless cleanliness. Over the past decade, we have built our *Xiao Noodles* restaurants around the multifaceted business operation models of universal appeal (全人群), around-the-clock (全時段) and full-scenario (全場景) with our dual model of corporate-owned and franchising. We cater to diverse customer groups covering the elderly, middle-aged and young adults, and children, suitable for both individual meals and group gatherings. We provide around-the-clock service covering breakfast, lunch, afternoon tea, dinner, and late-night snacks. As of the Latest Practicable Date, we had 47 restaurants operating 24 hours a day. Our restaurants operate across various scenarios including shopping centers, office areas, residential areas, campuses, exhibition centers, scenic spots, and transportation hubs such as airports, railway stations, ports, highway service areas and ports of entry. The growing sophistication of our multifaceted approach drives greater customer traffic and visiting frequency, powering the sustainable growth of our restaurant network.

Systematic Management (體系化管理)

We have developed a management system with high degree of standardization, streamlined systemization and advanced intelligent digitalization, covering the operational aspects of menu offerings development, procurement, supply chain, site selection and restaurant establishment, restaurant operations, training, marketing and quality control. Our centralized headquarters model applies to both corporate-owned and franchised restaurants, streamlining operations, adhering to uniform standards, standardizing brand image, and enhancing operation efficiency. All restaurants, staff, and menu items are connected under our management system. Supported by our advanced and proprietary digital infrastructure, our operation system reduces reliance on individual experience and judgment. We firmly believe that as we scale, only through an aligned system can we secure a disciplined management, ensuring strict adherence to our standards, maintaining consistent dining environments, service standards and food quality — ultimately delivering a high quality and reliable customer experience.

Our comprehensive multifaceted business operation and efficient systematic management are the building blocks for our competitive advantages, enabling successful replication and scalable growth of our restaurants.

The Four Pillars of Our Business Development

The development of *Xiao Noodles* relies on our customers, staff, franchisees and business partners, who collectively form the four pillars of the development of *Xiao Noodles* — symbolized by our brand logo "rhombus-shaped *Xiao Noodles* (小麵菱形)" .

Our Mission and Core Value

Embracing the mindset of "scientific attitude and dedication to achieving excellence in the smallest details (科學的態度和把一件小事做好的精神)", we have been continuously innovating in the path of branding development of Chinese local food and fulfilling our mission: to become the promoter of Sichuan and Chongqing delicacies and bring the authentic experience of Chongqing noodles beyond its hometown (讓更多人不在重慶, 遇見小麵). We cherish every encounter with our guests and serve them with warmth (每次遇見, 都是有溫度的一面).

Our Vision and Path Forward

Our future growth will be driven by the triple-engine approach of expanding into lower-tier cities, exploring overseas markets and scaling franchise model. Going [**REDACTED**] marks a new beginning for *Xiao Noodles*. With the same relentless dedication that has guided us so far, we will continue to create dining experiences that exceed expectations in value. We will learn from the best practices to build an enterprise of modernized Chinese restaurants. We will promote Chinese culinary culture to compete on the global stage and explore new opportunities. We firmly believe that our vision of "sharing the delight of Chongqing noodles across the globe" (中國小麵, 全球遇見) will become a reality.

Market Opportunities

Noodles have long been one of the daily main dishes in the Chinese community. Operating in the Chinese noodle restaurants segment, our restaurants strive to fulfill the strong consumer demand for quick and convenient dining experience with the enduring appeal of noodle dishes. According to Frost & Sullivan, the prosperity of Chinese noodle restaurants in China has been fueled by the accelerating urbanization process, rising disposable incomes and the popularity of digital ordering and takeaway platforms. As consumer preferences continue to evolve, Chinese noodle restaurants are expected to achieve sustained growth through menu innovation and improved operational efficiency.

According to Frost & Sullivan, the growth of the Chinese noodle restaurant market in China is expected to accelerate further to reach the total GMV of RMB510.0 billion by 2029, at a CAGR of 10.9% from 2025 to 2029, based on further urbanization, increase in disposable income and increase in the proportion of consumers dining out in China. Within the Chinese noodle restaurant market, the total GMV of market of Chinese noodle restaurants specializing in Sichuan and Chongqing-style in China is expected to reach the total GMV of RMB135.7 billion by 2029, at a CAGR of 13.2% from 2025 to 2029, which is the highest among the markets of Chinese noodle restaurants for different types of regional cuisine in China.

These favorable trends present us with exceptional growth opportunities. With our market leadership in the fast-growing Chinese noodle restaurant market in China, coupled with our market insight and the strong scalability, we believe that we are favorably positioned to capture opportunities in this market and solidify our market position.

OUR RESTAURANT NETWORK AND PERFORMANCE

Our restaurants are operated under either a corporate-owned model or a franchise model. During the Track Record Period, we had managed to sustain expansion of our restaurant number and achieved rapid growth of our financial performance. From the beginning of the Track Record Period to the Latest Practicable Date, the number of our restaurants had grown by 185.7% from 133 to 380 restaurants.

The following table sets forth movement in the number of our restaurants for the periods indicated.

	For the year ended December 31,		
	2022	2023	2024
At the beginning of the period	133	170	252
Newly opened during the period	43	92	120
Closed during the period	(6)[1]	(10)[1]	(12)
At the end of the period	**170**	**252**	**360**

Note:

(1) As of January 1, 2022 and 2023, we jointly operated twelve and nine restaurants with an Independent Third Party, respectively. In 2022 and 2023, three and nine of such jointly operated restaurants were closed, respectively. For details of the background of our jointly operated restaurants, see "— Our Franchisees."

The following table sets forth certain key performance indicators of our corporate-owned and franchised *Xiao Noodles* restaurants[1] in China by region for the periods indicated.

	For the year ended December 31,		
	2022	2023	2024
GMV[2] *(RMB'000)*			
First-tier and new first-tier cities	408,196	797,892	1,097,401
Second-tier cities and below	103,012	162,176	235,298
Hong Kong SAR	–	–	15,723[3]
Total	**511,209**	**960,068**	**1,348,422**
Average daily sales per restaurant[4] *(RMB)*			
First-tier and new first-tier cities	12,015	14,158	12,444
Second-tier cities and below	11,115	12,657	11,629
Hong Kong SAR	–	–	51,215
Overall	**11,822**	**13,880**	**12,402**
Total number of orders[5] *(thousands)*			
First-tier and new first-tier cities	11,338	23,411	34,446
Second-tier cities and below	2,822	4,808	7,388
Hong Kong SAR	–	–	260[3]
Total	**14,160**	**28,219**	**42,094**
Average spending per order[6] *(RMB)*			
First-tier and new first-tier cities	36.0	34.1	31.9
Second-tier cities and below	36.5	33.7	31.8
Hong Kong SAR	–	–	60.4
Overall	**36.1**	**34.0**	**32.0**
Seat turnover rate[7]			
First-tier and new first-tier cities	3.2	4.0	3.8
Second-tier cities and below	2.7	3.2	3.2
Hong Kong SAR	–	–	6.8
Overall	**3.1**	**3.8**	**3.7**

Notes:

(1) The above key performance indicators of our corporate-owned and franchised *Xiao Noodles* restaurants do not include the restaurants jointly operated with an Independent Third Party in 2022 and 2023. For details of the background of our jointly operated restaurants, see "— Our Franchisees." During the Track Record Period, there was no significant difference in the performance of our corporate-owned and franchised restaurants.

(2) Representing the total sales value of food and beverage sold under the restaurant operations and delivery business of restaurants under both our corporate-owned and franchise models over the period, after deducting any fees or costs such as discounts or returns.

(3) In 2024, we operated three corporate-owned restaurants in Hong Kong SAR, which were opened in April, November and December, 2024.

(4) Average daily sales per restaurant is calculated by dividing (i) the total GMV generated from restaurant operations and delivery business of restaurants under both our corporate-owned and franchise models by (ii) the total operation days of such restaurants for the period. The number of the total operation days is the sum of the operation days of all *Xiao Noodles* restaurants in the relevant regions.

(5) Total number of orders include the number of orders placed by dine-in customers and customers of our delivery services for the period in the relevant regions.

(6) Average spending per order is calculated by dividing (i) the GMV generated from restaurant operations and delivery business of restaurants under both our corporate-owned and franchise models by (ii) the total number of orders, including orders placed by both dine-in customers and customers of our delivery services, for the period in the relevant regions.

(7) Seat turnover rate is calculated by dividing the aggregate number of orders placed by dine-in customers by the sum of products of the restaurant operation days and seat count of each restaurant for the period.

The average spending per order at our restaurants decreased from RMB36.1 in 2022 to RMB34.0 in 2023, and further decreased to RMB32.0 in 2024, primarily because we took the initiative to reduce the prices of our menu items and provide customers with a more value-for-money dining experience in order to attract customers and increase our overall sales, which was evidenced by the substantial increase in GMV and total number of orders in 2024.

Same Store Sales

The following table sets forth details of our same store sales in China 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 and had the same number of seats in both 2022 and 2023 and in both 2023 and 2024.

	For the year ended December 31,			
	2022	**2023**	**2023**	**2024**
Number of same stores				
First-tier and new first-tier cities	72		116	
Second-tier cities and below	24		29	
Total	**96**		**145**	
Same store sales[1] *(RMB'000)*				
First-tier and new first-tier cities	287,744	375,462	602,934	572,118
Second-tier cities and below	94,057	115,815	137,445	136,919
Total	**381,801**	**491,277**	**740,379**	**709,037**
Same store sales growth (%)				
First-tier and new first-tier cities	30.5		(5.1)	
Second-tier cities and below	23.1		(0.4)	
Overall	**28.7**		**(4.2)**	
Same store seat turnover rate[2]				
First-tier and new first-tier cities	3.2	4.0	4.0	4.2
Second-tier cities and below	2.7	3.3	3.2	3.5
Overall	**3.1**	**3.8**	**3.9**	**4.1**

Notes:

(1) Same store sales refer to the total GMV generated from our same stores, including those generated from dine-in and delivery orders.

(2) Same store seat turnover rate is calculated by dividing the aggregate number of orders placed by dine-in customers by the sum of products of the restaurant operation days and seat count of each same store restaurant for the period.

We recorded an increase in same store seat turnover rate in 2022 and 2023 as well as 2023 and 2024 primarily because we took the initiative to reduce the prices of our menu items and provide customers with more value-for-money dining experience in order to attract more customers and increase our overall sales.

OUR FRANCHISEES

Harnessing the success of our corporate-owned model and our well-established brand recognition, we ventured into the franchise model under our centralized management in 2019. Since adopting the franchise model, the number of our franchised restaurants has grown steadily during the Track Record Period. As of December 31, 2024, we had 81 franchised restaurants. Our franchised restaurants followed the same standards we set for the corporate-owned restaurants. We maintain strong oversight of franchised restaurants, ensuring that every aspect of restaurant operation is properly managed and optimized for success. For details on our franchise model, see "Business — Our Franchisees."

CUSTOMERS AND SUPPLIERS

As a restaurant company, we have a large and fragmented customer base. Under the franchising model, we also regard our franchisees as our customers. In 2022, 2023 and 2024, our five largest customers in each year comprised our franchisees. In 2022, 2023 and 2024, revenue from our five largest customers in each year accounted for 8.5%, 6.8% and 4.9% of our total revenue for the respective periods. Our largest customer in each year during the Track Record Period accounted for approximately 3.7%, 3.5%, and 2.8% of our total revenue for 2022, 2023 and 2024, respectively. During the Track Record Period, we were not subject to any material customer concentration risk. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest customers in each year during the Track Record Period were Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers in each year during the Track Record Period.

As of the Latest Practicable Date, we collaborated with approximately 450 suppliers. Purchases from our five largest suppliers in each year during the Track Record Period accounted for 28.7%, 30.1% and 30.5% of our total purchases for the respective year. Purchases from our largest supplier in each year during the Track Record Period accounted for 7.2%, 10.1% and 11.6% of our total purchases for the respective year. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest suppliers in each year during the Track Record Period were Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers in each year during the Track Record Period.

COMPETITION

The Chinese noodle restaurant market is highly fragmented, with the top five players accounting for 2.9% market share in terms of GMV in 2024. This fragmentation presents significant opportunities for market consolidation. With the current landscape offering ample opportunities for strategic mergers, acquisitions, and organic chain expansion, established players can leverage economies of scale, streamline operations, and enhance supply chain efficiencies. According to Frost & Sullivan, the total GMV of the Chinese noodle restaurant market in China had expanded from RMB183.3 billion in 2020 to RMB296.2 billion in 2024, at a CAGR of 12.7%. We operate in this rapidly growing market, where key entry barriers include brand influence and recognition, integrated supply chain management capabilities, standardized and scalable operational management, product development expertise, and digitalized operational systems. We believe we are well-positioned to compete effectively, leveraging our strengths in these areas. For more information on the competitive landscape of our industry, see "Industry Overview."

OUR STRENGTHS

We attribute our success to and distinguish ourselves by the following key competitive strengths:

- Leading and fast-growing modern Chinese noodle restaurants operator, favorably positioned to capture future market opportunities;
- Quality menu offerings and value-for-money dining experience catering to the needs of customers through our multifaceted business operation model;
- Highly standardized operational model with high replicability;

- Streamlined systematic management of corporate-owned and franchised restaurants;
- Advanced intelligent digitalization supporting restaurant and operations management; and
- Young, well-educated and visionary management team with entrepreneurial spirit and strong shareholder support.

OUR STRATEGIES

We will continue to pursue the following strategies to further expand our business:

- Strategically expand our corporate-owned and franchised restaurant network to deliver sustainable growth;
- Continue to invest in technology and intelligent digitalization;
- Continuously invest in brand building and strengthen customer loyalty; and
- Enhance operating efficiency through pursuing strategic investments.

RISK FACTORS

Our business and the [**REDACTED**] involve certain risks, including risks relating to (i) our business and industry, (ii) doing business in the jurisdictions where we operate and (iii) the [**REDACTED**]. Some of the major risks we face include, but are not limited to, the following:

- Our business depends significantly on the market recognition of our *Xiao Noodles* brand, and if we are not able to maintain or enhance the image of our *Xiao Noodles* brand recognition, our business, financial condition and results of operations may be materially and adversely affected.
- We have in recent years experienced accelerated expansion, which may lead to increasing risks and uncertainties, and our evolving operation system may not be effective to address such risks and uncertainties.
- We may not be able to maintain and increase the sales and profitability of our existing restaurants, and our future growth also depends on our ability to open and profitably operate in existing and new geographical markets.
- Increases in the cost of ingredients used in our restaurants may lead to declines in our margins and operating results.
- If we cannot obtain desirable restaurant locations or secure renewal of existing leases on commercially reasonable terms, or our current restaurant sites are affected by other unfavorable factors beyond our control, our business, results of operations and ability to implement our growth strategy may be materially and adversely affected.
- Intense competition in China's catering industry could prevent us from increasing or sustaining our revenue and profitability.

PROPERTIES

As of the Latest Practicable Date, we leased 339 properties with a total GFA of approximately 55,282.0 sq.m. in China, which are primarily used as our restaurants, warehouses and offices.

The following table sets forth a breakdown of the number of leases by remaining term as of the Latest Practicable Date:

Remaining term	Number of leases
Less than one year	45
One to two years	62
Two to five years	179
More than five years	53

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The summary of consolidated financial information should be read together with the historical financial information included in the Accountants' Report in Appendix I to this document, including the accompanying notes and the information set out in "Financial Information."

Summary of Consolidated Statements of Profit or Loss

	For the year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Revenue	**418,096**	**800,514**	**1,154,434**
Raw materials and consumables used	(160,138)	(290,270)	(395,701)
Staff costs	(109,264)	(175,194)	(265,062)
Depreciation of right-of-use assets	(94,620)	(125,429)	(188,845)
Depreciation and amortization of property, plant and equipment and intangible assets	(21,828)	(24,213)	(37,649)
Utility expenses	(14,119)	(27,487)	(44,543)
Other rentals and related expenses	(4,523)	(18,365)	(21,632)
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Advertising and promotion expenses	(6,150)	(5,044)	(13,339)
Travelling and related expenses	(1,929)	(3,742)	(5,672)
Other expenses	(34,595)	(59,790)	(88,721)
Other income	7,504	14,143	8,967
Other net (losses)/gains	(177)	286	3,116
Finance costs	(16,962)	(19,333)	(27,771)
Impairment losses of property, plant and equipment	(9,440)	(8,938)	(1,589)
Profit/(Loss) before taxation	**(48,145)**	**57,138**	**74,881**
Income tax	12,172	(11,224)	(14,181)
Profit/(Loss) for the year	**(35,973)**	**45,914**	**60,700**

Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use the adjusted net profit/(loss) (a non-IFRS measure) and adjusted net profit/(loss) margin (a non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that such non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain items. We believe that such measure provides useful information to [**REDACTED**] and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of the adjusted net profit/(loss) (a non-IFRS measure) and adjusted net profit/(loss) margin (a non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation form, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define the adjusted net profit/(loss) (a non-IFRS measure) as profit/(loss) for the year by eliminating (i) our equity-settled share-based payment expenses, (ii) [**REDACTED**], and (iii) tax effect of the above non-IFRS adjustments. Our management considers that (1) equity-settled share-based payment expenses are non-cash in nature and do not result in cash outflow and (2) [**REDACTED**] are expenses relating to the [**REDACTED**]. We define the adjusted net profit/(loss) margin (a non-IFRS measure) as the adjusted net profit/(loss) (a non-IFRS measure) for the year as percentages of the revenue for that year.

	Year Ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) for the year	(35,973)	45,914	60,700
Equity-settled share-based payment expenses	1,337	1,419	3,139
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Tax effect of non-IFRS adjustments	(334)	(355)	(1,063)
Adjusted net profit/(loss) (a non-IFRS measure)	**(34,970)**	**46,978**	**63,888**
Adjusted net profit/(loss) margin (%) (a non-IFRS measure)	**(8.4)**	**5.9**	**5.5**

Revenue

During the Track Record Period, we primarily generated our revenue from corporate-owned restaurant operations and franchise management. Revenue from corporate-owned restaurant operations mainly comprises revenue from dine-in service and delivery business at our corporate-owned restaurants. Revenue from franchise management comprises revenue from royalty and franchising income as well as sales of goods such as food ingredients and restaurant supplies to franchisees and sales of equipment to franchisees. Our revenue increased from RMB418.1 million in 2022 to RMB800.5 million in 2023 and further increased to RMB1,154.4 million in 2024, representing a CAGR of 66.2%. Over 95% of our revenue are generated in the Chinese mainland.

The following table sets forth a breakdown of our revenue and percentage to total revenue by business line for the periods indicated:

	For the year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Corporate-owned restaurant operations			
– Dine-in service	270,998	547,353	820,301
– Delivery business	65,738	124,587	180,709
Franchise management			
– Sales of goods and equipment	67,964	104,965	125,488
– Royalty and franchising income and provision of service	12,547	22,729	27,042
Others[(1)]	849	880	894
Total	**418,096**	**800,514**	**1,154,434**

Note:

(1) This represents revenue generated from sales of retail products under our *Xiao Noodles* brand on e-commerce platforms.

Summary of Selected Items of Consolidated Statements of Financial Position

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Total current assets	102,525	156,519	247,636
Total non-current assets	510,879	685,978	913,497
Total current liabilities	251,090	343,275	489,861
Total non-current liabilities	336,342	445,429	553,495
Net current liabilities	(148,565)	(186,756)	(242,225)
Net Assets	25,972	53,793	117,777

We had net current liabilities during the Track Record Period. As of December 31, 2022, 2023 and 2024, our net current liabilities amounted to RMB148.6 million, RMB186.8 million, RMB242.2 million, respectively. Our net current liabilities position was primarily because (i) we financed the expansion of our corporate-owned restaurant network with our current assets, especially cash and cash equivalents, for non-current items such as property, plant and equipment for restaurant decorations and purchases of equipment, (ii) a portion of our lease liabilities has been recorded as current liabilities while the corresponding balance of right-of-use assets has been recorded as non-current assets according to IFRS 16, and (iii) there was a redemption liability which will be reclassified from current liabilities to equity upon [**REDACTED**].

Our net current liabilities increased by 29.7% from RMB186.8 million as of December 31, 2023 to RMB242.2 million as of December 31, 2024, primarily due to (i) an increase in current lease liabilities of RMB53.1 million mainly attributable to our increased lease properties for the expansion of our corporate-owned restaurant network, (ii) an increase in short-term borrowings of RMB50.0 million, and (iii) an increase in contract liabilities, primarily consist of receipt of the advance payment of franchising income from our franchisees, balances in stored value membership accounts and issued vouchers and contract liabilities of customer loyalty scheme of RMB22.5 million in line with our business expansion, partially offset by (iv) an increase in financial assets measured at FVPL of RMB45.2 million representing our investments in structured deposits and (v) an increase in trade and other receivables of RMB25.6 million in line with our business expansion.

Our net current liabilities increased by 25.7% from RMB148.6 million as of December 31, 2022 to RMB186.8 million as of December 31, 2023, primarily due to (i) an increase in trade and other payables of RMB42.3 million mainly attributable to the growing procurement from suppliers, (ii) an increase in current lease liabilities of RMB32.8 million mainly attributable to the increased lease properties for the expansion of our corporate-owned restaurant network, and (iii) an increase in contract liabilities of RMB23.5 million in line with our business expansion, partially offset (iv) an increase in trade and other receivables of RMB24.7 million in line with our business expansion and (v) an increase in financial assets measured at FVPL of RMB18.1 million.

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including our cash and cash equivalents and financial assets measured at fair value through profit or loss on hand, available bank loans and facilities and the estimated [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document.

Our current assets comprise, among others, cash and cash equivalent and financial assets at fair value through profit or loss. Our cash and cash equivalent amounted to RMB36.5 million, RMB26.8 million and RMB42.2 million as of December 31, 2022, 2023 and 2024, respectively, and our financial assets at fair value through profit or loss amounted to RMB7.0 million, RMB25.1 million and RMB70.3 million as of December 31, 2022, 2023 and 2024, respectively. Our financial assets at fair value through profit or loss represent our investments in wealth management products with maturity less than three months, all of which were liquid structured deposits issued by reputable commercial banks in China with guaranteed principal and variable returns tied to the performance of certain underlying financial assets. There are no fixed or determinable returns of these structured deposits.

Summary of Selected Items of Consolidated Cash Flow Statements

	For the year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	104,773	245,126	313,546
Net cash used in investing activities	(36,001)	(78,007)	(143,093)
Net cash used in financing activities	(75,761)	(176,874)	(155,059)
Net increase/(decrease) in cash and cash equivalents	(6,989)	(9,755)	15,394
Cash and cash equivalents at beginning of the year	43,508	36,519	26,764
Effect of foreign exchange rate changes	–	–	32
Cash and cash equivalents at end of year	36,519	26,764	42,190

KEY FINANCIAL RATIOS

	For the year ended/As of December 31,		
	2022	2023	2024
Revenue growth rate *(%)*	N/A	91.5	44.2
Current ratio(1)	0.4	0.5	0.5
Debt ratio(2) *(%)*	1.6	–	4.3

Notes:

(1) Calculated using current assets dividend by current liabilities as of the respective date.

(2) Calculated using total interest bearing borrowings divided by total assets and multiplied by 100%.

IMPACT OF COVID-19 PANDEMIC

In 2022, our business and results of operations were affected by the COVID-19 pandemic to a certain extent. Notably, our restaurants experienced reduced customer traffic, temporary closures and reduced operating hours in 2022. We also experienced a slowdown in the expansion of our restaurant network in 2022 in light of the resurgence of COVID-19 outbreaks. As a result, we recorded a net loss of RMB36.0 million in 2022.

We have taken comprehensive measures to mitigate the negative impact of the COVID-19 pandemic, including (i) implementing more stringent cost controls, (ii) negotiating with our landlords to obtain more favorable terms, (iii) proactively developing our delivery business by designing, updating and diversifying our menu items for delivery scenarios and improving our service capabilities to meet increasing consumer demand for food delivery services, and (iv) remaining agile with pandemic control measures to resume restaurant operations by adopting flexible working hours.

Following the ease of the COVID-19 pandemic in early 2023, our customer traffic and operating days resumed and our financial performance exhibited a strong rebound with an 91.5% year-on-year increase in revenue and a net profit of RMB45.9 million in 2023. Notably, our revenue from corporate-owned restaurant operations thrived with a 99.5% year-on-year increase in the same year. Despite the challenges brought by the COVID-19 in 2022, we believe that the COVID-19 pandemic will not continue to have any material adverse effect on our business operations or financial performance. For details on related risks, see "Risk Factors — We face risks related to instances of food-borne illnesses, health epidemics and other outbreaks."

OUR CONTROLLING SHAREHOLDERS

Huai'an Chuangtao was established by Mr. Song and Mr. Su in April 2016 as their shareholding platform. As of the Latest Practicable Date, Huai'an Chuangtao held approximately 49.04% of the total issued Shares of our Company. Mr. Song, as the general partner, and Mr. Su, as the limited partner, held 66.67% and 33.33% of the partnership interests in Huai'an Chuangtao, respectively.

As of the Latest Practicable Date, Mr. Song was entitled to exercise the voting rights attached to approximately 4.24% of the total issued Shares of our Company by virtue of being the general partner of Huai'an Yujian Haoren, our Company's employee incentive platform.

Immediately following the completion of the [**REDACTED**], Huai'an Chuangtao will be entitled to exercise the voting rights attaching to [**REDACTED**] of the total issued Shares of our Company (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**]). Further, by virtue of their interests in Huai'an Chuangtao, a shareholding platform between them, both Mr. Song and Mr. Su will be regarded as a group of controlling shareholders pursuant to Chapter 1.1C of the Guide for New Listing Applicants published by the Stock Exchange. In addition, Mr. Song through Huai'an Yujian Haoren will be entitled to exercise the voting rights attaching to [**REDACTED**] of the total issued Shares of our Company (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**]).

Based on the above, Mr. Song, Mr. Su, Huai'an Chuangtao, and Huai'an Yujian Haoren will together form our group of Controlling Shareholders upon [**REDACTED**]. For details, see "Relationship with Our Controlling Shareholders."

[REDACTED] INVESTORS

We have engaged in [**REDACTED**] Investments with our [**REDACTED**] Investors. For further details of the identity and background of the [**REDACTED**] Investors and the principal terms of the [**REDACTED**] Investments, see "History, Development and Corporate Structure — [**REDACTED**] Investments."

LEGAL PROCEEDINGS AND COMPLIANCE

We may, from time to time, become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. As advised by our PRC Legal Advisor, as of the Latest Practicable Date, we had complied with all relevant PRC Law in all material respects and had obtained all requisite licenses, approvals and permits from relevant authorities that are material for our operations in the Chinese mainland and such licenses, approvals and permits are valid and effective.

See "Business — Legal Proceedings" and "Business — Compliance, Licenses and Permits" for more information. For more information about the laws and regulations that we are subject to, see "Regulatory Overview".

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that (i) the [**REDACTED**] has been completed and [**REDACTED**] H Shares are newly issued in the [**REDACTED**], (ii) the [**REDACTED**] for the [**REDACTED**] is not exercised, and (iii) [**REDACTED**] Shares are issued and outstanding following the completion of the [**REDACTED**]:

	Based on an [REDACTED] of [REDACTED] per Share	Based on an [REDACTED] of [REDACTED] per Share
Market capitalization of our Shares[1]	[**REDACTED**]	[**REDACTED**]
Unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share[2]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The calculation of market capitalization is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**].

(2) The unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to equity shareholders of our Company per Share has been arrived at after adjustments referred to in Appendix II and on the basis that [**REDACTED**] Shares (which is calculated based on [**REDACTED**] Shares issued at December 31, 2024 and adjusted for [**REDACTED**] Shares newly issued upon the [**REDACTED**], but excluding [**REDACTED**] unvested Shares held by Huai'an Yujian Haoren, our employee incentive platform for the [**REDACTED**] Employee Incentive Scheme) were in issue immediately following completion of the [**REDACTED**], assuming that the [**REDACTED**] had been completed on December 31, 2024 without taking into account of the Shares which may be issued upon exercise of the [**REDACTED**] or pursuant to the [**REDACTED**] Employee Incentive Scheme.

For the calculation of the unaudited [**REDACTED**] adjusted net tangible asset value per Share attributed to our Shareholders, see the section headed "Unaudited [**REDACTED**] Financial Information" in Appendix II.

FUTURE PLANS AND [REDACTED]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately [**REDACTED**], after deducting [**REDACTED**] fees and commissions and other estimated expenses paid and payable by us in relation to the [**REDACTED**], assuming an [**REDACTED**] of [**REDACTED**] per H Share, being the mid-point of the [**REDACTED**] range from [**REDACTED**] to [**REDACTED**] per H Share, and that the [**REDACTED**] is not exercised. In line with our strategies, we intend to use the [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

- approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], for expanding our restaurant network, broadening our geographical coverage and deepening our market penetration;
- approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], for advancing our information technology capabilities through upgrading the technology and digital systems across our restaurant network;
- approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], for brand building and strengthening customer loyalty;
- approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], for strategic investment in and acquisitions of potential companies in the upstream food processing industry; and
- approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], for general corporate purposes and working capital.

DIVIDENDS

In 2023, we declared and paid dividends attributable to equity shareholders of our Company of RMB19.5 million. No other dividend was declared or paid by our Company or other entities comprising our Group during the Track Record Period. In March 2025, we declared annual dividends attributable to equity shareholders of our Company for the year ended December 31, 2024 in the amount of RMB14.7 million which has subsequently been fully paid. For details, see "Financial Information — Dividends."

We do not have any predetermined dividend payout ratio. PRC Law require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Any future declarations and payments of dividends will be at the absolute discretion of our Directors and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant at such time. We may declare and pay dividends mainly by cash or by stock that we consider appropriate. Our ability to distribute dividends in the future also depends on whether we can receive dividends from our subsidiaries. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC Law and approval by our Shareholders.

[**REDACTED**]

Based on an [**REDACTED**] per H Share, being the mid-point of the indicative [**REDACTED**] range, and assuming the [**REDACTED**] is not exercised, [**REDACTED**] to be borne by us are estimated to be approximately [**REDACTED**] or [**REDACTED**] of the [**REDACTED**] of the [**REDACTED**], which consist of (i) [**REDACTED**] of approximately [**REDACTED**], and (ii) [**REDACTED**] related expenses of approximately [**REDACTED**] including (a) fees and expenses of legal advisors and the Reporting Accountants of approximately [**REDACTED**] and (b) other fees and expenses of approximately [**REDACTED**]. During the Track Record Period, we incurred [**REDACTED**] of [**REDACTED**] recognized in the consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2024. Subsequent to the Track Record Period, we expect to further incur [**REDACTED**] of [**REDACTED**] prior to and upon completion of the [**REDACTED**], of which (i) [**REDACTED**] is expected to be recognized as expenses in our consolidated statements of profit or loss and other comprehensive income, and (ii) [**REDACTED**] is expected to be accounted for as a deduction from equity upon [**REDACTED**].

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the [**REDACTED**] of, and permission to [**REDACTED**] in, the H Shares in issue and to be [**REDACTED**] pursuant to the [**REDACTED**] (including any Shares which may be issued pursuant to the exercise of the [**REDACTED**]) and the [**REDACTED**] of Unlisted Shares into H Shares. We satisfy the market capitalization/revenue/cash flow test under Rule 8.05(2) of the Listing Rules with reference to, among other things, (i) our revenue for the year ended December 31, 2024 being over HK$500 million; (ii) our expected market capitalization at the time of the [**REDACTED**] based on the [**REDACTED**] of [**REDACTED**] per [**REDACTED**] (being the low-end of the indicative [**REDACTED**] range) exceeds HK$2 billion; and (iii) our positive cash flow from operating activities of over HK$100 million in aggregate for the three years ended December 31, 2024, as required by Rule 8.05(2) of the Listing Rules.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

In March 2025, we declared annual dividends attributable to equity shareholders of our Company for the year ended December 31, 2024 in the amount of RMB14.7 million which has subsequently been fully paid. For details, see "Financial Information — Dividends."

Our Directors have confirmed that up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2024, being the end of the Track Record Period as reported in the Accountants' Report as set out in Appendix I, and there has been no event since December 31, 2024 which would materially affect the information shown in the Accountants' Report as set out in Appendix I.

In this document, unless the context otherwise requires, the following terms shall have the meanings set forth below. Certain technical terms are explained in "Glossary of Technical Terms" in this document.

"Accountants' Report"	the accountants' report of our Company for the Track Record Period, as included in Appendix I
"affiliate(s)"	with respect to any person, any other person, directly or indirectly, controlling, controlled by or under common control with such person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company, which was conditionally adopted on April 2, 2025 with effect from the [**REDACTED**], as amended, supplemented or restated from time to time; see "Summary of the Articles of Association" in Appendix V for a summary of the Articles
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors of the Company
"business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

[**REDACTED**]

[**REDACTED**]

"China" or "PRC"	the People's Republic of China
"Chinese mainland"	the People's Republic of China excluding Hong Kong, Macau Special Administrative Region and Taiwan province
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	Guangzhou Xiao Noodles Catering Management Co., Ltd. (廣州遇見小麵餐飲股份有限公司), a limited liability company established under PRC Law on February 14, 2014 (previously named Guangzhou Xiao Noodles Catering Management Co., Ltd. (廣州遇見小麵餐飲管理有限公司)), which was converted into a joint stock limited liability company on September 7, 2023
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Song, Mr. Su, Huai'an Chuangtao and Huai'an Yujian Haoren
"[**REDACTED**] of Unlisted Shares into H Shares"	the [**REDACTED**] of [**REDACTED**] Unlisted Shares into H Shares on a [**REDACTED**] basis upon the completion of the [**REDACTED**]. Such [**REDACTED**] of Unlisted Shares into H Shares has been approved by the CSRC on [●] and an application for H Shares to be [**REDACTED**] on the Stock Exchange has been made to the [**REDACTED**]
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company
"EIT"	the enterprise income tax
"EIT Law"	the China Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), promulgated on 16 March 2007 and came into effect on 1 January 2008 and was most recently amended on 29 December 2018 which became effective on the same date

"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below

[**REDACTED**]

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Frost & Sullivan Report"	the report prepared by Frost & Sullivan and commissioned by us

[**REDACTED**]

"Group", "we", "our", or "us"	our Company and, where appropriate, our subsidiaries or, in respect of the period before our Company became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors, as the case may be
"H Share(s)"	Shares which an application has been made for the [**REDACTED**] and permission to [**REDACTED**] on the Stock Exchange with nominal value of RMB0.02 each

[**REDACTED**]

"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

"Hong Kong" or "Hong Kong SAR"	the Hong Kong Special Administrative Region of China

[**REDACTED**]

"Takeovers Code"	Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC

[**REDACTED**]

[**REDACTED**]

"Huai'an Chuangtao"	Huai'an Chuangtao Enterprise Management Partnership (Limited Partnership) (淮安市創韜企業管理合夥企業(有限合夥)), a limited partnership established under PRC Law by Mr. Song and Mr. Su on April 7, 2016 as their shareholding platform and one of our Controlling Shareholders. Mr. Song, as the general partner, and Mr. Su, as the limited partner, held 66.67% and 33.33% of the partnership interest therein, respectively
"Huai'an Yujian Haoren"	Huai'an Yujian Haoren Enterprise Management Partnership (Limited Partnership) (淮安市遇見好人企業管理合夥企業(有限合夥)), previously known as Guangzhou Yujian Haoren Investment Partnership (Limited Partnership) (廣州遇見好人投資合夥企業(有限合夥)), a limited partnership established under PRC Law on May 30, 2019 as our Company's employee incentive platform and one of our Controlling Shareholders. Mr. Song is the general partner of Huai'an Yujian Haoren
"IFRS"	IFRS Accounting Standards issued by the International Accounting Standards Board
"Independent Third Party(ies)"	person(s) or company(ies), who/which, to the best of our Directors' knowledge, information and belief, is/are not our connected persons

[**REDACTED**]

[**REDACTED**]

"Latest Practicable Date"	April 5, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Ministry of Finance" or "MOF"	Ministry of Finance of China (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of China (中華人民共和國商務部)
"Mr. Song"	Mr. Song Qi (宋奇), our founder, Controlling Shareholder, the chairman of our Board, an executive Director and the chief executive officer of our Company
"Mr. Su"	Mr. Su Xuxiang (蘇旭翔), our co-founder, Controlling Shareholder, executive Director and vice president of our Company
"Ms. Luo"	Ms. Luo Yanling (羅燕靈), our co-founder, executive Director and vice president of our Company
"NDRC"	National Development and Reform Commission of China (中華人民共和國國家發展和改革委員會)
"NPC"	the National People's Congress of China (中華人民共和國全國人民代表大會)

[REDACTED]

[**REDACTED**]

"PRC Company Law"	the Company Law of China, as amended, modified and/or otherwise supplemented from time to time
"PRC Data Compliance Advisor"	Jia Yuan Law Offices, the legal advisor to our Company as to PRC Law on cybersecurity and data privacy protection
"PRC government" or "State"	the central government of China and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Law"	the laws and regulations of China, without reference to the laws and regulations of Hong Kong and Macao Special Administrative Region and the relevant regulations of Taiwan
"PRC Legal Advisor"	Jingtian & Gongcheng, our legal advisor as to PRC Law
"[**REDACTED**] Employee Incentive Scheme"	the [**REDACTED**] employee incentive scheme approved and adopted by our Company in August 2019, the details of which are set out in "Statutory and General Information — D. [**REDACTED**] Employee Incentive Scheme" in Appendix VI
"[**REDACTED**] Investment(s)"	the [**REDACTED**] investment(s) in our Company, the details of which are set out in "History, Development and Corporate Structure — [**REDACTED**] Investments"
"[**REDACTED**] Investor(s)"	the investor(s) of the [**REDACTED**] Investments

[REDACTED]

"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of China
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the Chinese mainland
"SAFE"	the State Administration for Foreign Exchange of China (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration of Industry and Commerce of China (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR
"SAMR"	the State Administration for Market Regulation of China (中華人民共和國國家市場監督管理總局)
"SAT"	the State Administration of Taxation of China (中華人民共和國國家稅務總局)
"Securities Law"	the Securities Law of the People's Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"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, supplemented or otherwise modified from time to time

"Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB0.02 each, comprising the Unlisted Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Sole Sponsor"	CMB International Capital Limited, a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined in the SFO
"Special Regulations"	the Special Regulations of the State Council on Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on 4 August 1994

[**REDACTED**]

"State Council"	the State Council of China (中華人民共和國國務院)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Supervisor(s)"	member(s) of the supervisory committee of our Company
"Track Record Period"	the three years ended December 31, 2022, 2023 and 2024
"treasury shares"	Shares repurchased and held by the Company in treasury (which include Shares repurchased by the Company and held or deposited in [**REDACTED**] for sale on the Stock Exchange) from time to time
"Trial Measures"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies ("境內企業境外發行證券和上市管理試行辦法"), promulgated by the CSRC on 17 February 2023

"U.S.", "US" or "United States"	the United States of America, its territories, its possessions, any State of the United States and the District of Columbia
"U.S. Securities Act"	United States Securities Act of 1933 and the rules and regulations promulgated thereunder
"USD", "U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States

[**REDACTED**]

"Unlisted Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB0.02 each, which is/are not [**REDACTED**] on any stock exchange
"VAT"	value-added tax
"%"	per cent

Unless otherwise specified, in this document:

(a) certain amounts and percentage figures 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; and

(b) for ease of reference, the names of governmental authorities, institutions, nature persons or other entities (including certain of our subsidiaries) in the Chinese mainland have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

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

"AI"	artificial intelligence
"CAGR"	compound annual growth rate
"CBD(s)"	central business district of a city
"Chinese noodle"	a type of Chinese cuisine primarily made from noodles, rice noodles, vermicelli, or similar ingredients, prepared using simple and quick cooking methods
"Chinese noodle restaurants"	food service outlets that engage in the preparation, sale, and distribution of Chinese noodle-based dishes ranging from traditional varieties like noodles, rice noodles, and stir-fried noodles to modern interpretations and fusion cuisine
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"dine-in"	for the purpose of this document, the service model in which customers place orders at a restaurant and have the option to either consume their meals at the restaurant or take their food away as takeout
"ESG"	environmental, social and governance
"first-tier cities"	for the purpose of this document, Beijing, Guangzhou, Shanghai and Shenzhen
"GFA"	gross floor area
"GMV"	gross merchandise value
"IoT"	Internet of things, the collective network of connected devices and the technology that facilitates communication between devices and the cloud, as well as between devices themselves

"initial breakeven period"	the amount of time it takes for a newly opened corporate-owned restaurant to achieve positive restaurant level earnings before interest, taxes, depreciation and amortization (after deducting cash rental expense) for the first time
"investment payback period"	the amount of time it takes for a newly opened corporate-owned restaurant by accumulating its restaurant level earnings before interest, taxes, depreciation and amortization (after deducting cash rental expense) to cover the costs to open that restaurant
"new first-tier cities"	for the purpose of this document, Changsha, Chengdu, Chongqing, Dongguan, Hangzhou, Hefei, Wuxi, Nanjing, Ningbo, Qingdao, Suzhou, Tianjin, Wuhan, Xi'an, and Zhengzhou
"POS"	Point of Sale
"QR code"	a machine-readable optical label that contains information about the item to which it is attached
"repurchase rate"	calculated by dividing, among those that had become our stored value members before the first day of a given period, (i) the number of our members that placed at least two orders in the given period, by (ii) the number of our stored value members in the same period
"R&D"	research and development
"second-tier cities and below"	for the purpose of this document, cities, county-level cities and counties in the Chinese mainland other than first-tier cities and new first-tier cities
"SKU"	stock keeping unit, representing the number of products in inventory. It is used to identify each unique product and keep track of stock level
"staff"	for the purpose of this document, our employees and outsourced staff
"stored value member payment rate"	calculated by dividing (i) the GMV generated from transactions settled with balances in stored value membership accounts, by (ii) the GMV generated from transactions made on our mini-applications for the period
"sq.m."	square meter(s)

FORWARD-LOOKING STATEMENTS

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

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

- our mission, goals and strategies;
- our future business development, financial conditions and results of operations;
- the expected growth of the digital twin industry;
- our expectations regarding demand for and market acceptance of our products and solutions;
- our expectations regarding our relationships with customers, business partners, suppliers and other third parties;
- changes in the macro environment, regional and global economy, as well as industry trends related to our operations;
- our ability to adequately protect our reputation and brand image, as well as our intellectual property rights;
- our ability to obtain adequate capital resources to fund future development plans;
- our ability to control costs, as well as to achieve and maintain operational efficiency;
- our ability to attract and retain qualified personnel;
- competition in the industries and markets in which we operate or into which we intend to expand;

- our proposed [**REDACTED**];
- rapid developments in technology and our ability to successfully keep up with technological advancement;
- changes in currency exchange rates;
- relevant government policies and regulations relating to industries which we operate in; and
- all other risks and uncertainties described in "Risk Factors."

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

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

An [**REDACTED**] *in our H Shares involves a high degree of risk. You should carefully consider the following information about risks, together with the other information contained in this document, including our consolidated financial statements and related notes, before you decide to* [**REDACTED**] *our H Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial condition and prospects would likely suffer. In any such case, the* [**REDACTED**] *of our H Shares could decline and you may lose all or part of your* [**REDACTED**]. *This Document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

We believe that maintaining and enhancing our *Xiao Noodles* brand is important to maintaining our competitive advantage and is vital to our success. 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 preserving and enhancing our brand and image depends to a large extent on our ability to further develop and maintain our distinctive combination of fusion cuisine, 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 industry. If we are unable to do so, the value of our brand or image will be diminished and our business and results of operations may be materially and adversely affected. Any events that will harm our reputation, such as liability claims, litigation, customers' complaints, illegal activities conducted by customers in our restaurants, other negative publicity of our food and delivery services, or any violation acts by third-parties such as using our *Xiao Noodles* brand illegally, may have a negative effect on our brand. Furthermore, the image of *Xiao Noodles* brand may be affected by reviews made by customers on social media platforms. We have no control over the content of such reviews in relation to our food and our delivery services. Any negative reviews or related content, regardless of their validity, may materially and adversely affect our brand and the results of our operations. We cannot assure you that we will not receive any material customer complaints, which may cause a material adverse effect on our future operation. 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.

We have in recent years experienced accelerated expansion, which may lead to increasing risks and uncertainties, and our evolving operation system may not be effective to address such risks and uncertainties.

We have increased the number of our restaurants from 170 as of December 31, 2022 to 252 as of December 31, 2023, and further increased to 360 as of December 31, 2024. We expect our business growth to continue in the foreseeable future. Along with our accelerated growth, we face an emerging challenge of continuing expansion while ensuring consistent outstanding quality and service. Regarding food safety and quality control, although we have established a robust system and continuously invested in food safety and quality control, as our business expands, due to the labor-intensive nature of the restaurant business, it may become more difficult to ensure that the dining experiences across all of our restaurants is consistently of high quality, and that all of the employees comply with relevant laws and regulations, especially the detailed and stringent regulations in relation to food safety. Regarding talent pool for restaurant managers, our continuing expansion may place a strain on our pool of qualified candidates for restaurant managers as our restaurant managers typically start from restaurant frontline positions.

Our current expansion plans contemplate more rapid expansion than before. There is no assurance that we will be able to expand at the expected pace or effectively manage our growth. Our expansion may place substantial demands on our management and our operational, technological, financial and other resources, as well as significant demands on us to maintain consistent service and food quality to ensure that our brand does not suffer as a result of any deterioration, whether actual or perceived, in the quality of our service or food. In addition, there can be no assurance that our management system, as it evolves, will always be able to address our needs at different stages of our growth. Any significant failure or deterioration of our management system could have a material and adverse effect on our business and results of operations.

We may not be able to maintain and increase the sales and profitability of our existing restaurants, and our future growth also depends on our ability to open and profitably operate in existing and new geographical markets.

The sales of existing restaurants will affect our growth and continue to be a critical factor affecting our revenue and profit. Our ability to increase the sales of existing restaurants depends in part on our ability to successfully implement our initiatives to increase customer traffic and table turnover. Examples of these initiatives include offering innovative menu items and combinations, improving the dining experiences to attract repeat customer, enhancing customer loyalty, attracting more customers during non-peak hours and adjusting the prices of our menu items. 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 in our existing markets, our business, financial condition and results of operations may be materially and adversely affected.

Our future growth also depends on our ability to open and profitably operate new restaurants. In 2022, 2023 and 2024, we opened 43, 92 and 120 corporate-owned and franchised new restaurants, respectively. We plan to open approximately 120 to 150, 150 to 180 and 170 to 200 corporate-owned and franchised new restaurants in 2025, 2026 and 2027, respectively. We may not be able to open new restaurants at the same pace 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 China's catering industry. We may also encounter delays when applying for relevant material licenses and permits during the approval process from the government authorities, for which the timeline is beyond our control. Moreover, since most of our restaurant managers are promoted from the frontline of our restaurants, there might be insufficient existing restaurant staff with experience to assist with opening new restaurants. Even if we are able to open additional restaurants as planned, these new restaurants may not be as profitable or have results comparable to our existing restaurants.

Our current expansion plan includes increasing our penetration in markets where we have existing restaurants. As 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 potential cannibalization. We cannot assure you that these new restaurants will not cannibalize the business of our existing restaurants, in which case our business, financial conditions and results of operations may be materially and adversely affected. We may also open new restaurants in markets where we have little or no operating experience. Through our research of these markets, we believe they present significant opportunities for the expansion and growth of our business. However, the new markets may have different competitive dynamics, customer preferences 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 brands 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. Opening restaurants in new markets may record lower average sales, lower average spending per customer, higher renovation costs or higher operating costs than restaurants in existing markets. In addition, we may take longer to set up similar supply chain networks with suitable quality control in such new markets. 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.

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 raw materials and consumables used represented approximately 38.3%, 36.3%, and 34.3% of our revenue in 2022, 2023 and 2024, 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 dishes. Furthermore, if we cannot pass these cost increases onto our customers, our operating margins may decrease.

If we cannot obtain desirable restaurant locations or secure renewal of existing leases on commercially reasonable terms, or our current restaurant sites are affected by other unfavorable factors beyond our control such as rental increases or fluctuations, our business, results of operations and ability to implement our growth strategy may 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.

The lease arrangements for our restaurants generally last for four to six years. 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 rent substantially higher than the existing rent 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 restaurants, which would eliminate the sales that the restaurants would have contributed to our revenue during the period of closure, and could subject us to costs and risks relating to new restaurant openings. In addition, the revenue and profit generated at a relocated restaurant may be less than the revenue and profit previously generated before such relocation.

The success of a restaurant also substantially depends on its sites. There can be no assurance that our current restaurant sites will continue to be attractive as economic or demographic conditions change. The economic and demographic conditions of our restaurant sites could become unfavorable to us in the future, thus resulting in potentially reduced sales of restaurants in these sites. 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. In the event of any closure or demolition of any of the properties in which our restaurants are situated for redevelopment, or winding down of landlords' operations, the amount of compensation to be awarded to us may not be adequate. In such event, we will be forced to relocate to other sites. Therefore, any inability to obtain leases for desirable restaurant sites or renew existing leases on commercially sound terms or other unfavourable factors occur that prevent us from maintaining our restaurant sites or obtaining new desirable positions could have a material and adverse effect on our business, financial condition and results of operations.

As we lease properties for all of our corporate-owned restaurants, warehouses and offices, we have significant exposure to the retail rental market in China. In 2022, 2023 and 2024, our depreciation of right-of-use assets amounted to RMB94.6 million, RMB125.4 million and RMB188.8 million, respectively, representing 22.6%, 15.7% and 16.4% of our revenue in the same periods, respectively. Since our rental expenses represent a significant portion of our total operating costs, our profitability may be adversely affected by any substantial increase or fluctuations in such expenses of our restaurant premises.

Intense competition in China's catering industry could prevent us from increasing or sustaining our revenue and profitability.

China's catering industry is intensely competitive with respect to, among other things, food quality and consistency, taste, price, ambience, service, site, supply of quality food ingredients and employees. According to Frost & Sullivan, the Chinese noodle restaurants in China is highly fragmented, and the players in this market face fierce competition. We face significant competition at each of our sites from a variety of restaurants in various market segments, including locally owned restaurants and regional and international chains. Our competitors also offer dine-in 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 similar customer groups, 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 and 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 benefit us as expected, or at all.

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. 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 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. Any of the above would materially and adversely affect our business and results of operations.

We may not be able to quickly develop new menu items and adapt to evolving consumer preferences.

The success of our restaurants is also defined by consumer preference. Our continued success depends on our ability to launch new menu items and improve existing menu to cater to evolving consumer preferences. There is no guarantee that we will always be able to effectively gauge or capture the direction of our key markets and successfully identify, develop and promote new or improved menu items in the changing market, or that our new menu items will always be favored by consumers or commercially successful. Our results of operation could be adversely affected by the lack of consumer acceptance of new menu items; consumers may reduce their demand for our current offerings as new menu items are introduced; or we may be unable to effectively manage our cost of raw materials and consumables, especially for newly launched menu items.

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

We tapped into the franchise model in 2019 as our first attempt to combine the benefits of the franchise model with our competitive strengths developed through the corporate-owned model. As of December 31, 2024, we had 81 franchised restaurants. For details of our franchise arrangements, see "Business — Our Franchisees." We face a number of risks associated with the use of our franchise model, each of which may impact our revenue generation, harm our brand image, and may adversely affect our business and results of operations.

Our franchisees are responsible for the day-to-day operation of their restaurants under the standardized protocols developed by our headquarters. As a result, we cannot guarantee full control over their actions and our contractual rights and remedies are limited. 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 franchised restaurants 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, 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.

The revenue we realize from franchised restaurants 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. 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.

A franchisee's insolvency and/or financial distress 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. Our franchisees are subject to a variety of litigation risks, including, but not limited to, customer claims, personal-injury claims, environmental claims, and employee allegations of improper termination. As stipulated in our franchise agreement, we typically will not be held liable for the claims against our franchisees. Although we are not directly liable for the costs involved in these types of litigation, 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 franchise fees or make procurement, to renovate and develop the restaurants they operate, or limit their ability to renew their arrangements with us. On the other hand, our franchisees or former franchisees may have disputes with us for various issues, such as breach of franchise agreement. Such direct or indirect litigation risks could in turn adversely affect our business and operating results and may negatively impact our brand image.

Shortages or interruptions in the availability and delivery of our food ingredients and other supplies may have a material and 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 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 restaurant network depends in part upon our ability to acquire food ingredients and related supplies in sufficient quantities from reliable sources that meet our food safety and quality specifications. We generally enter into framework agreements with our suppliers for food ingredients and other consumables with fixed prices within certain periods. During the Track Record Period, none of our key suppliers ceased or indicated that it would cease to provide supplies to us. Also, we did not experience any material delays or interruptions in securing supplies 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. If any of our suppliers does not perform quality control adequately or otherwise fails 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 procurement 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.

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, profitability and margins.

Our historical results and growth may not be indicative of our future performance. Our financial and operating results may not meet the expectations of [**REDACTED**] market analysts or [**REDACTED**]. Our revenue, expenses, margins 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. In addition, our overall results of operations may fluctuate significantly from period to period because of various factors that are beyond our control, including: the timing of new restaurant openings; loss of revenue and renovation expenses associated with the temporary closure of existing restaurants for refurbishment; impairment of non-current assets, and any losses incurred on restaurant closures; and fluctuations in raw materials and commodity prices. You should not rely on our historical results to predict our future financial performance.

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

Historically, staff costs, comprising salaries, wages and other benefits payable to all our staff, including our directors, senior management, headquarters personnel and restaurant employees, have been a major component of our operating costs. In 2022, 2023 and 2024, our staff costs amounted to RMB109.3 million, RMB175.2 million and RMB265.1 million, accounting for 26.1%, 21.9% and 23.0% of our revenue, respectively. As of the Latest Practicable Date, all of our staff are employed in the Chinese mainland, Hong Kong SAR and Singapore, where the economies have grown significantly over the past decade and have resulted in an increased average cost of labor. We compete with other competitors for labor resources, and may not be able to offer competitive remuneration and benefits compared with them. Any shortages in the availability of labor or any material increase in the cost of labor as a result of competition, increased minimum wage requirements and employee benefits will diminish our competitive advantage and have a material and adverse effect on our business, financial condition and results of operations.

Information technology system failures, breaches of our network security or compromised data privacy or information security could interrupt our operations and adversely affect our business.

We rely on our information technology systems across our operations and management 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. Any damage or failure of our information technology systems or computer virus attacks that cause interruptions or inaccuracies in our operations could have a material and adverse effect on our business and results of operations. We also receive certain personal information about our consumers through our membership system. Our network security may be breached due to the actions of outside parties, employee error, malfeasance, or a combination of these or otherwise. If any actual or perceived breach of our network security occurs, and personal information is stolen or obtained by unauthorized persons or used inappropriately, we may become subject to litigation or other proceedings relating to such incidents. Any such proceedings could divert our management from running our business and cause us to incur significant unplanned losses and expenses. In addition, our consumers' confidence in the effectiveness of our security measures could be harmed and we may lose consumers and suffer financial losses due to such events or in connection with remediation efforts, investigation costs and system protection measures. Any of the above could harm our reputation and materially and adversely affect our business and results of operations.

Our investment in technology may not generate the level of returns expected.

We have invested and intend to continue to invest significantly in technological infrastructure and intelligence equipment, such as our information technology systems and equipment to enhance the consumer experience and improve the efficiency of our operations. See "Business — Our Technologies." We invested RMB5.9 million, RMB11.1 million and RMB14.1 million in technology systems and intelligence equipment in 2022, 2023 and 2024, respectively. We cannot assure you that our investments in technology will generate sufficient returns or have the expected effects on our business operations, if at all. If our technology investments do not meet expectations for the above and other reasons, our prospects and share price may be materially and adversely affected.

Our business depends on the performance of, and our long-term relationships with, third-party online food delivery platforms, third-party payment service providers and third-party supply chain service providers.

Our delivery services partly depend on the performance of, and our long-term relationships with, third-party online food delivery platforms. We allow our menu items to be presented on and ordered through their platforms. Accordingly, if we fail to extend or renew the agreements with these food delivery platforms on acceptable terms, or at all, our business and results of operations may be materially and adversely affected, and any increase in the fees charged by these food delivery platforms could negatively impact our operating results. During the Track Record Period, approximately 98.5% of total payments from our customers were settled through mobile payment. Therefore, the ability to accept mobile payments is critical to our business. We accept cash, credit cards, WeChat Pay, Alipay and other online payments at our restaurants. If we fail to extend or renew the agreements with these third-party payment processors on acceptable terms or if these payment service providers are unwilling or unable to provide us with payment services or impose onerous requirements on us in order to access their services, or if they increase the fees they charge us for these services, our business and results of operations could be harmed. Furthermore, to the extent we rely on the systems of third-party payment service providers, any defects, failures and interruptions in their systems could result in similar adverse effects on our business. Sustained or repeated system defects, failures or interruptions would impact our ability to consistently make timely deliveries and provide a simple and convenient ordering experience to our customers. Hence, our customer satisfaction may be significantly undermined, and our reputation and relationship with our customers may be damaged as a result, which could materially impact our business and results of operations. In addition, we procure food ingredients from third-party suppliers primarily through a group of third-party logistics and supply chain service companies in the Chinese mainland. For details, see "Business — Procurement — Procurement Arrangement with the Supply Chain Service Group." If we fail to extend or renew the agreements with these logistics and supply chain service companies on acceptable terms or if these companies are unwilling or unable to provide us with supply chain services or impose onerous requirements on us in order to access their services, or if they increase the fees they charge us for these services, our business and results of operations could be affected.

If the quality of our offerings or dining experience declines, our restaurants may not continue to be successful.

The success of our restaurants revolves primarily around customer satisfaction, which is dependent on the continued popularity of our *Xiao Noodles* brand and lies in our ability to maintain and enhance our dining experience. The quality of our food or dining experience may be adversely affected by a number of factors, including, among others, (i) decline in the quality of service provided by our restaurant staff; (ii) inability to introduce new menu items that gain popularity amongst customers; (iii) inability to meet the needs of our customers and changes in customer tastes or preferences; (iv) decline in food quality, or the perception of such decline amongst customers; (v) any significant liability claims or food contamination complaints from our customers; (vi) inability to offer quality food at affordable prices; (vii) long waiting time; (viii) decrease in the attractiveness or quality of design of our restaurants; and (ix) low quality of delivery service. For details on our quality control systems, see "Business — Food Safety and Quality Control." There can be no assurance that our food safety and quality control systems will prove to be effective. We cannot guarantee that our food and dining experiences will continue to be of high quality and favored by customers, or that our existing and new restaurants will continue to be successful.

Failures to meet food safety and hygiene standards, any significant liability claims, food contamination complaints from our customers or reports of food tampering incidents could have a material and adverse effect on our reputation, financial conditions and results of operations.

Due to the scale of our operations, maintaining consistent food quality depends significantly on the effectiveness of our quality control system, which in turn depends on a number of factors, including but not limited to the design of our quality control system and our food safety and hygiene standards, employee trainings to ensure that our employees adhere to and implement those quality control policies and the effectiveness of monitoring any potential violation of our quality control system and our food safety and hygiene standards. There can be no assurance that our quality control system will always prove to be effective. As we expand, due to the labor-intensive nature of the restaurant business, it becomes more difficult to ensure that the dining experiences across all of our restaurants are consistently of high quality, and that all of the staff comply with all applicable laws and regulations, especially the detailed and stringent regulations in relation to food safety and hygiene. The quality of the ingredients provided by our suppliers is subject to factors beyond our control, including the effectiveness and the efficiency of their quality control system, among others. There can be no assurance that our current suppliers may always be able to adopt appropriate quality control system and meet our stringent quality control requirements in respect of the supplies they provide. Any significant failure or deterioration of our quality control systems and our food safety and hygiene standards could have a material and adverse effect on our reputation, financial condition and results of operations.

Being in the catering industry, we face an inherent risk of food contamination and liability claims. Our food quality substantially depends on the quality of the food ingredients provided by our suppliers and we may not be able to detect all defects in those supplies. As we expand our business scale, we cannot assure you that these counterparties or our restaurant employees will adhere to our internal procedures and requirements at all times. Any failure to detect defective food supplies, poor hygiene or cleanliness standards in our operations or other failure to observe our requirements, could adversely affect the quality of the food served in our restaurants, which could lead to liability claims, complaints, or related adverse publicity and could result in the imposition of penalties by competent authorities or compensation awarded by courts against us.

Most of the customer complaints we received were related to the flavor of the dish, long waiting time, and the service quality of our restaurant frontline staff. We cannot assure you that we can successfully prevent all customer complaints of similar nature. Any complaints or claims against us or any restaurant we operate, even if meritless and unsuccessful, may divert management attention and other resources from our business and adversely affect our business and operations. Customers may lose confidence in us and our brand, which may adversely affect the business of our restaurants, resulting in declines in our revenue and even losses. Furthermore, negative publicity including but not limited to negative online reviews on social media and crowd-sourced review platforms or media reports related to food quality, safety, public health concerns, illness, or injury, or industry findings, whether or not accurate, and whether or not concerning our restaurants, can adversely affect our business, results of operations and reputation.

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 are exposed to the risks of fraud, theft or other misconduct involving employees, customers or other third parties, which may have a material adverse impact on our business. We are also exposed to the risk of our staff members responsible for procurement and quality control receiving bribes or kick-backs from our suppliers in violation of our policies, which in turn may result in supplies that are overpriced or fail our quality standard. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses and/or harm our reputation.

Events that disrupt the operations of any of our restaurants, 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, terrorist attacks and other events beyond our control. Our business is also dependent on prompt delivery and transportation of our food ingredients and other consumables. 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 logistics facilities and our restaurants. Any of these 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 offerings and services to consumers, thereby affecting our business and damaging our reputation. Any such event could adversely affect our business operations and results of operations.

We are subject to risks related to our overseas expansion, which may result in fluctuations of our business and results of operations.

We have expanded our presence beyond Chinese mainland. We have a limited operating history beyond Chinese mainland and therefore lower brand awareness and operating experience overseas. Our overseas operation is also subject to different competitive landscapes, regulatory environments, customs, consumer tastes, and discretionary spending patterns compared to Chinese mainland. As a result, overseas restaurants may take longer to ramp up sales and achieve satisfactory performance, if at all, which could affect overall growth and profitability. Building brand awareness in overseas markets may require greater investments in advertising and promotional activities than initially planned or than required in the Chinese mainland. This increased investment could negatively impact our profitability in overseas markets.

Our overseas operations are also subject to additional inherent risks of conducting business abroad, such as (i) difficulty in finding qualified franchisees, suppliers and other business partners and maintaining relationships with these business partners for overseas operations; (ii) inability to anticipate foreign consumers' evolving preferences and tastes; (iii) challenges, changes or uncertainties in navigating economic, legal, regulatory, social, political, religious and geopolitical complexities in these international markets, or international relations; (iv) interpretation and application of laws and regulations, including licensing, approvals, permits, tax, tariffs, labor, merchandise and privacy laws and regulations, as well costs and other burdens of complying with a wide variety of local laws and regulations; (v) restrictive actions of governmental authorities affecting trade and foreign investment, including relevant measures such as export and customs duties and tariffs, government policies that affect dynamics of market competition and restrictions on the level of foreign ownership; (vi) the enforceability of intellectual property and contract rights under different legal systems; (vii) limitations on the repatriation of funds and foreign currency exchange restrictions due to current or new local regulations; (viii) challenges in recruiting and retaining high-quality employees in overseas markets; (ix) challenges in securing desirable locations for opening restaurants; (x) difficulties in setting up and developing warehouse system and delivery network overseas; (xi) difficulties to effectively manage the supply chain, including but not limited to procurement, production, logistics, R&D and quality control, to meet the needs of new and existing restaurants on a timely basis; (xii) difficulties in developing and managing foreign operations, including ensuring the consistency of product quality and services, due to governmental regulations and actions, distance, language and cultural differences. Any of the above factors could materially and adversely affect our ability to expand our restaurant network and, in turn, negatively impact our results of operations and financial performance.

If we fail to obtain sufficient funding, our growth may be adversely affected.

During the Track Record Period, we primarily funded our operations, expansion and capital expenditures through cash generated from our operations and bank borrowings. As our business scale grows and at a faster pace, we may 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 would result in increased debt service obligations and finance costs, and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability from banks or other lenders, receipt of necessary approvals from competent government authorities, [**REDACTED**] confidence in us, the performance of the catering industry in general, and our operating and financial performance in particular. We cannot assure you that future financing will be available in amounts or on terms acceptable to us, if at all. In the event that financing is not available or is not available on terms acceptable to us, our business, results of operations and growth prospects may be adversely affected.

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

During the Track Record Period, we were covered by insurance policies that we believe are customary for businesses of our size and type and in line with the standard commercial practice. For details on our insurance policies, see "Business — Insurance" in this document. However, there are losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, such as loss of reputation. If we were held 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 brand and adversely affect our business and operation.

We believe that our brand is essential to our success and our competitive position. Although we have registered trademarks in the jurisdictions where we operate, these steps may not be adequate to protect our intellectual property. There is no assurance that any of our pending trademark applications will be granted. We cannot assure you that the registrations will be successfully completed. If we fail to secure the registration of any trademarks under application, or if we are held by any court or tribunal to be infringing on any trademark of others, our business and results of operations may be adversely affected. See "Appendix VI — Statutory and General Information." In addition, third parties may infringe upon our intellectual property rights or misappropriate our proprietary knowledge, which could have a material and adverse effect on our business, financial condition or operating results. 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 may be difficult, costly and time-consuming. Such litigation could result in substantial costs and diversion of resources, which could negatively affect our sales, profitability and prospects. Even if any such litigation is resolved in our favor, relevant 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 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.

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

Companies operating in the Chinese mainland are required to make social insurance and housing provident funds for their employees. We have in the past failed to make timely and adequate social security insurance and housing provident fund contributions for some of our employees in accordance with the relevant PRC Law. Our PRC Legal Advisor has advised us that, pursuant to relevant PRC Law, if we fail to pay the full amount social insurance as required, we may be ordered by the relevant authorities in the Chinese mainland 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 Law, if we fail to pay the full amount of housing provident fund contributions as required, the housing provident fund management center may order us to 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 courts in the Chinese mainland for compulsory enforcement. For further details, see "Business — Employees — Social Insurance and Housing Provident Funds."

Our leased property interests may be defective and our lease agreements may not be registered, our right to lease the properties affected by such defects may be challenged, which could cause significant disruption to our business.

As of the Latest Practicable Date, the lease agreements with respect to 317 of our leased properties with an aggregate GFA of approximately 51,768.3 sq.m., representing approximately 93.6% of the total leased GFA of our leased properties, were not registered with the appropriate government authorities in the Chinese mainland. 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 authorities in the Chinese mainland for each of these lease agreements if we fail to complete the registration of lease agreements within the stipulated period, and as such, the potential maximum penalties in relation to the aforementioned non-compliant incidents is approximately RMB3.2 million.

As of the Latest Practicable Date, with respect to 57 of our leased properties in the Chinese mainland, the lessors of such properties 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 9,220.2 sq.m., representing approximately 16.7% of the total leased GFA of our leased properties. 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, we would not be subject to any administrative penalties with respect to these properties, but our leases may be affected, and, as a result, we may be required to vacate 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 sites, thus affecting our business operations, financial condition and results of operations.

As of the Latest Practicable Date, the actual use of eleven leased properties (with an aggregate GFA of approximately 1,877.0 sq.m., representing approximately 3.4% of our total leased GFA) did not fit into the prescribed scope of usage shown on the relevant ownership certificates. For such leased properties, 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 such leased properties with usage defects may be interrupted. However, as a tenant, we are not subject to any penalties in this regard.

As of the Latest Practicable Date, with respect to 13 of our leased properties built on allocated land (劃撥用地) with an aggregate GFA of approximately 2,423.0 sq.m, representing approximately 4.4% of our total leased GFA, the lessors could not provide documents proving that the corresponding approval procedures for such properties leased to us had been completed. As advised by our PRC Legal Advisor, properties on allocated land shall not be leased without authorization from relevant authorities. There is no guarantee that the lessors had obtained authorizations from the relevant land administration departments to lease the properties. If the lessors did not obtain the requisite approval for leasing such properties in accordance with the relevant laws and regulations, the validity of the relevant leasing contracts may be uncertain.

As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the properties we use or lease. If any challenge against us in these respects are successful, our use or lease of such properties may be affected and we may be required to relocate from these relevant properties. If we fail to find suitable alternative premises on terms acceptable to us, or if we are subject to any material liability resulting from such challenges, our business, financial condition, results of operations and prospects may be materially and adversely affected. For details, see "Business — Properties — Leased Properties."

We face risks relating to our investments.

We, in the future, may invest, in companies in the upstream or downstream of China's catering industry. Such endeavors may involve significant risks and uncertainties, including diverting management from current operations, greater than expected liabilities and expenses, and 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 not be able to effectively manage our inventory, which may adversely affect our results of operations, financial condition and liquidity.

Our inventories primarily consisted of food ingredients and other materials. Managing our inventory effectively is essential to our operations. We base our purchasing decisions on demand forecasts for varied goods to manage our inventory accordingly. However, this demand can shift between the time of order and the intended sale date. Multiple factors can influence this demand, including product launches, pricing strategies, potential product defects, and evolving consumer behaviors and preferences. In addition, when we procure a new kind of raw material for a new product, our demand forecasts may not align with the consumer acceptance of our new products, and it may be challenging for us to accurately predict demand for the raw material. As we expand our menu, the growing variety of ingredients for our dishes is expected to complicate our inventory management process. There is no certainty that our inventory levels will always match our demands, which may adversely affect our sales. Ineffectual inventory management could expose us to risks like inventory obsolescence, a decline in inventory value, and significant inventory write-offs. These challenges may materially and adversely affect our business, results of operations and financial condition. If we miscalculate product demand, or if there are lapses in our suppliers' timely provision of quality ingredients, inventory shortages might ensue. These shortages could erode brand loyalty, lead to revenue loss, and jeopardize our business reputation, negatively affecting our operations, financial position, and overall liquidity.

We have granted, and may continue to grant, share-based incentive awards, which may result in increased share-based compensation expenses.

We have adopted the [**REDACTED**] Employee Incentive Scheme in 2019 in order to motivate and retain our senior management, middle-level management and other key employees by granting share-based compensation awards to them. Expenses associated with share-based compensation have affected our profitability and may continue to affect our profitability in the future. We do not plan to issue any additional securities pursuant to the [**REDACTED**] Employee Incentive Scheme which constitutes a share scheme funded by existing shares only. However, if we issue any additional securities under any share-based incentive plans we may adopt in the future, such additional securities will dilute the ownership interests of our shareholders. We believe the granting of share-based incentive awards is of significant importance to our ability to attract and retain key employees, and we may grant additional share-based incentive awards in the future. As a result, our share-based compensation expenses may increase, which may have an adverse effect on our results of operations.

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, 2022, 2023 and 2024, our trade and other receivables amounted to RMB30.1 million, RMB54.9 million and RMB80.5 million, respectively. For further details, see "Financial Information — Selected Key Items of Consolidated Statement of Financial Position — Current Assets and Liabilities." Our trade and other receivables primarily consisted of (i) trade debtors, net of loss allowance, mainly including amounts due from third-party payment service providers and delivery platforms, which are generally settled within one month, and amounts due from franchisees representing franchise and royalty fees receivable from franchisees as well as receivables derived from sales of goods and equipment to them, (ii) input value-added tax recoverable, (iii) deposits, mainly comprising rental deposits and other deposits in relation to our ordinary business operations, (iv) other receivables, mainly comprising petty cash of our restaurants, (v) prepayments to vendors, mainly representing prepaid rent and service fees, (vi) lease payment receivables relating to subleasing and (vii) the current portion of long-term receivables which represents the amount due from certain franchisees at longer payment terms for their upfront expenses for opening franchised restaurants to us as part of our strategy to nurture franchisees with potential. 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, 2022, 2023 and 2024, our deferred tax assets amounted to RMB24.6 million, RMB23.3 million and RMB27.2 million, respectively. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Pursuant to the Notice No. 8 issued by the Ministry of Finance and the State Administration of Taxation of the PRC on February 6, 2020, the maximum carried forward period of the tax losses affected by COVID-19 in certain affected industries, such as catering industry, is extended from five years to eight years. 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.

For the years ended December 31, 2022, 2023 and 2024, we recognized impairment losses of property, plant and equipment of RMB9.4 million, RMB8.9 million and RMB1.6 million, respectively. 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 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, our financial condition and results of operations may be materially and adversely affected. The impairment evaluation of property, plant and equipment requires significant management judgment. If our estimates and judgments are inaccurate, the recoverable amount determined could be inaccurate and the impairment may not be adequate, and we may need to record additional impairments in the future. Any significant impairment losses charged against our property, plant and equipment could have a material and adverse effect on our results of operations and financial performance.

Our financial condition, results of operations and prospects may be adversely affected by the valuation uncertainty of financial assets at fair value through profit or loss due to the use of unobservable inputs.

During the Track Record Period, we purchased certain wealth management products. See "Financial Information — Selected Key Items of Consolidated Statement of Financial Position — Current Assets and Liabilities — Financial assets measured at FVPL." As we need to make significant estimates on assumptions in determining the fair value of the wealth management products we purchased using unobservable inputs, the valuation of these financial assets is subject to uncertainties. Any net changes in the fair value of such assets are recorded as our other net (losses)/gains, and therefore may adversely affect our results of operations. Although we did not incur any fair value losses for financial assets at fair value through profit or loss during the Track Record Period, we cannot assure you that we will not incur any such fair value losses in the future. If we incur such fair value losses, our financial condition, results of operations and prospects may be adversely affected.

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, 2022, 2023 and 2024, we recorded net current liabilities of RMB148.6 million, RMB186.8 million and RMB242.2 million, respectively. See "Financial Information — Selected Key Items of Consolidated Statement of Financial Position — Current Assets and Liabilities" 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, and 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 results of operations, prevailing economic conditions, and 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.

If our preferential tax treatment becomes unavailable, our results of operations may be adversely affected.

For the years ended December 31, 2022, 2023 and 2024, certain of our subsidiaries fulfilled the criteria required for a preferential income tax rate granted to small and low profit-making enterprises in the Chinese mainland, and were entitled to a preferential income tax rate of 5% on taxable income. For the years ended December 31, 2022, 2023 and 2024, certain of our subsidiaries fell within the state encouraged industries in the specified western regions and were entitled to a preferential income tax rate of 15%. However, we cannot assure you that we will continue to enjoy similar preferential tax treatment in the future. The EIT Law and its implementation rules have adopted a flat statutory enterprise income tax rate of 25% to all enterprises in the Chinese mainland. If any of our subsidiaries ceases to be entitled to preferential tax treatment, the flat statutory enterprise income tax rate of 25% shall be applied, leading an increase in our income tax expenses, which would adversely affect our results of operations. See Note 7 to the Accountants' Report in Appendix I to this document for details.

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

During the Track Record Period, we received government grants from local government authorities in connection with enterprise development support, fiscal subsidies and various tax incentives. In 2022, 2023 and 2024, we recognized government grants of RMB2.2 million, RMB1.9 million and RMB5.8 million as other revenue, respectively. We cannot assure you that we will continue to receive such government grants from local government authorities or that the amount of such grants will not be reduced in the future. Any significant reduction of government grants received by us may adversely affect our financial condition and results of operations.

We may not be able to fulfill our obligations in respect of contract liabilities, which may have a material and adverse impact on our business, reputation and liquidity position.

Our contract liabilities primarily consist of the receipt of advance payment of franchising income from our franchisees, balances in stored value membership accounts and issued vouchers and contract liabilities of customer loyalty scheme. We recorded contract liabilities of RMB36.7 million, RMB60.1 million and RMB82.6 million as of December 31, 2022, 2023 and 2024, respectively. See "Financial Information — Selected Key Items of Consolidated Statement of Financial Position — Current Assets and Liabilities — Contract Liabilities." If we fail to fulfill our obligations under our receipt of advance payment of franchising income, balances in stored value membership accounts and issued vouchers and contract liabilities of customer loyalty scheme, we may not be able to recognize such contract liabilities as revenue, which may have a material and adverse impact on our business, results of operation, reputation and liquidity position.

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

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

Our business is susceptible to food-borne illnesses, health epidemics and other outbreaks. We cannot guarantee that our internal controls and training will be fully effective in preventing all food-borne illnesses. Furthermore, our reliance on third-party food processing companies, suppliers and distributors increases the risk of food-borne illness incidents which could be caused by third-party food processing companies, 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. China's catering industry may be significantly affected by any epidemics or pandemics, which may cause material disruptions to our operations, including but not limited to, travel restrictions, temporary closures of our restaurants, and sickness or death of our key personnel, which in turn may materially and adversely affect our financial condition and results of operations. In 2022, our business and results of operations were affected by the COVID-19 pandemic to a certain extent and recorded a net loss of RMB36.0 million. For details, see "Financial Information — Impact of COVID-19 Pandemic."

We may be subject to litigation and regulatory investigations and proceedings, and may not always be successful in defending ourselves against such claims or proceedings.

Our business operations may be subject to substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to fraud and misconduct, sales and customer services, leases, labor disputes and control procedures deficiencies, as well as the protection of personal and confidential information of our end-users and business partners, among others. We may be subject to claims and lawsuits in the ordinary course of our business. We may also be subject to inquiries, inspections, investigations and proceedings by relevant regulatory and other governmental agencies relating to advertisements and taxation, among other things, which may result in the diversion of our resources and management attention. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our business, financial condition, results of operations and reputation. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant for us. A significant judgment or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our Directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations, reputation and prospects.

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

With the rising awareness of ESG issues, including with respect to food and packaging waste, greenhouse gas emissions and environmental protection, any revisions to laws and regulations may affect our business operations. Accordingly, we may need to devote more effort and resources to ensure our compliance with such laws or regulations. We have adopted a series of measures aiming to ensure our compliance with the ESG-related laws and regulations applicable to us. See "Business — Environmental, Social and Corporate Governance." We cannot assure you that these risk management measures can effectively mitigate the relevant risks. Revisions to existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our compliance costs, and if we fail to comply with such ESG-related laws and regulations, our business, results of operations and financial performance may be adversely affected.

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

The catering industry in China is affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels and consumer spending patterns. In particular, our restaurants are located in the Chinese mainland and Hong Kong SAR and accordingly, our results of operations are closely affected by the macro-economic conditions in the Chinese mainland and Hong Kong SAR, such as changes in disposable consumer income, fear of recession and decreases in consumer confidence. These macro-economic factors may lead to a reduction of customer traffic and average spending per customer at our restaurants, which 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.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Our business is governed by laws and regulations. Changes to the regulatory regime and government policies relating to the areas where we operate businesses may limit our ability to provide offerings, thereby materially and adversely affecting our business, financial condition and results of operations.

The operations of our businesses are subject to various laws, rules and regulations in relation to the catering industry in China. Such laws, rules and regulations mainly relate to: (i) specifications in the catering industry that may affect our ability to carry out daily operations and to implement our business strategies; (ii) the operation and supervision of catering institutions; and (iii) food safety and fire safety, among other things. Compliance with these laws and regulations can cause difficulties and incur higher costs. New laws or regulations or revisions to laws and regulations can impose additional compliance costs, reduce our revenue, and require us to change our operations to ensure compliance, or otherwise change our business.

New laws, rules and regulations as well as government policies relevant to our businesses may be introduced in the future, or the current applicable regulations may otherwise be amended or replaced, requiring us to conduct business with additional oversight and regulatory compliance. In particular, any change in the applicable laws, rules and regulations could require us to obtain additional licenses, permits, approvals or certificates, increase our operational expenses or result in the invalidation of licenses, permits, approvals or certificates we currently have. Newly promulgated laws and regulations may be subject to further variations in application, interpretation and implementation. As a result, we may not be aware in a timely manner that we have violated certain policies and rules. There can be no assurance that we can adapt to the evolving regulatory environment swiftly enough or in a cost-efficient manner, failure of which may adversely affect our operations and lead to substantial compliance costs. Meanwhile, we may need to implement changes in our facilities, equipment, personnel or services to comply with the latest laws and regulations, and such may increase our capital expenditures and operating expenses, thereby adversely affecting our business, financial condition and results of operations.

Since we require various approvals, licenses and permits to operate our business, any failure to obtain, maintain 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 Law, we are required to maintain various approvals, licenses and permits in order to operate our businesses in the Chinese mainland and Hong Kong SAR. These approvals, licenses and permits are achieved upon satisfactory compliance with, amongst other things, the applicable food hygiene and safety and fire safety laws and regulations. Most of these licenses are subject to examinations or verifications by relevant authorities and some are valid only for a fixed period of time subject to renewal and accreditation.

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 "Regulatory overview" and "Business — Compliance, Licenses and Permits."

Data protection, cybersecurity, privacy and similar laws in the Chinese mainland, Hong Kong SAR and other jurisdictions regulate the collection, use and disclosure of information and data, and failure to comply with or adapt to revisions to these laws could materially and adversely harm our business.

Our business collects and processes certain data, including our consumers' personal information and other information and data, and any improper processing activity of such data or any other information security incident could harm our reputation as well as have a material adverse effect on our business and prospects. As collecting, using, storing, sharing, transferring and disclosing personal information are regulated in the Chinese mainland and Hong Kong SAR, we have adopted various measures to ensure our compliance on the confidentiality of our consumers' personal information. However, these measures may not always be effective and there can be no guarantee that we can completely protect the information from leakage and constantly maintain compliance under relevant laws and regulations. While we strive to comply with our privacy policies and procedures as well as relevant laws and regulations, we may fail to protect our consumers' personal information for reasons beyond our control. Such information could be divulged due to, for example, theft or misuse arising from employee misconduct or negligence, or compromised in the event of a security breach at any third-party online platform we use. We may entrust third parties to collect some data, or may indirectly collect some data from third parties, during the operation of our business. The activities of such third parties are beyond our control and there is no guarantee as to the effectiveness of the measures we have taken to urge and supervise third parties to abide by applicable cybersecurity and data privacy and protection laws and regulations. If any third party fails, or is deemed to have failed, to obtain authorization from the subject of personal information in a reasonable and lawful manner, or to comply with applicable cybersecurity and data privacy and protection laws and regulations, it may also have a material adverse effect on our businesses as well as our reputation.

Additionally, a technological failure or security breach may result in violation of regulations, and may lead to civil, administrative or criminal penalties, which could have a material adverse effect on our business, financial condition and results of operations. Regulators in the Chinese mainland and Hong Kong SAR have increased their focus on data protection, cybersecurity and privacy. While we believe our current usage of our consumers' personal information in material aspects is in compliance with applicable laws and regulations, revisions to those laws and regulations could subject us to increased compliance costs, which may have a material and adverse effect on our business, financial condition and results of operations. There can be no assurance that our operation will consistently comply with the applicable laws and regulations on data protection, cybersecurity and privacy laws, regulations and policies. If we fail to do so, we may become subject to fines or other penalties, such as being required to cease operations or being required to modify the functionalities or contents of our membership system, or we may choose to terminate certain operations. In each case, our business, financial condition and results of operations may be materially and adversely affected.

On December 28, 2021, the Cyberspace Administration of China ("**CAC**") and other regulatory authorities jointly revised and promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which became effective on February 15, 2022. The Cybersecurity Review Measures stipulate that (i) critical information infrastructure operators ("**CIIO**") purchasing network products and services and internet platform operators carrying out data processing activities, which affects or may affect national security, are subject to the regulatory scope; (ii) the internet platform operators holding personal information of more than one million users seeking a [**REDACTED**] in a foreign country ("**Foreign** [**REDACTED**]") must file for the cybersecurity review and (iii) where members of the cybersecurity review working mechanism believe that network products and services and data processing activities affect or are likely to affect national security, the Cybersecurity Review Office shall report to the Central Cyberspace Affairs Commission for approval as per procedure, and then conduct a review in accordance with the Cybersecurity Review Measures. As of the Latest Practicable Date, we had not been notified by any authorities of being classified as a CIIO or being involved in any investigations on cybersecurity review made by cybersecurity authorities. Based on our PRC Data Compliance Advisor's consultations with China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the "**CCRC**", currently China Cybersecurity Review, Certification and Market Regulation Big Data Center, which is the competent authority entrusted by the CAC to set up cybersecurity review consultation hotlines) on behalf of us in April 2025, a [**REDACTED**] in Hong Kong does not fall within the definition of "Foreign [**REDACTED**]," and therefore the obligation to proactively apply for cybersecurity review by an entity seeking [**REDACTED**] in a foreign country shall not be applicable to the [**REDACTED**]. However, we cannot rule out the possibility that we will trigger the cybersecurity review in the future. If we are subject to cybersecurity review, we may incur significant costs and face challenges, both in the review process and in making enhancements to our cybersecurity measures that may be required.

On September 24, 2024, the State Council published the Administration Regulations on Cyber Data Security (《網絡數據安全管理條例》), which has taken effect on January 1, 2025 and applies to activities relating to the use of networks to carry out data processing activities within the territory of the Chinese mainland. Our PRC Data Compliance Advisor advises that the Administration Regulations on Cyber Data Security are applicable to us. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material administrative penalties or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, nor had there been material cybersecurity and data protection incidents or infringement upon any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of our knowledge in relation to cybersecurity and data protection, threatened against or relating to us. Additionally, we have adopted a series of internal policies, procedures and measures regarding user privacy and data security. Based on the aforementioned factors, we and our PRC Data Compliance Advisor believe that, as of the Latest Practicable Date, we were in compliance with existing applicable laws and regulations relating to data security, cybersecurity, privacy and personal information protection in all material aspects. However, the laws and regulations regarding data security and privacy protection are generally complex and evolving, and the interpretation and application thereof will be determined according to the laws and regulations then in effect. As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. Additionally, the integrity of our privacy and data protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyber-attacks. If we are unable to comply with the then applicable laws and regulations, or to address any data security and privacy protection concerns, such actual or alleged failure could damage our reputation, adversely affect our business operations and results of operations, and could subject us to significant legal, financial and operational consequences.

Failure to comply with the anti-corruption laws, regulations and rules in the Chinese mainland and Hong Kong SAR could subject us and/or our employees to investigations and administrative or criminal penalties, which may harm our reputation and materially and adversely affect our business, financial condition or results of operations.

We have adopted policies and procedures designed to ensure that our employees comply with the applicable anti-corruption laws, rules and regulations in the Chinese mainland and Hong Kong SAR so as to prevent corruption and fraudulent practices, including financial impropriety, improper conduct or unethical behavior and fraudulent activities. Our existing employees are required to attend regular training and comply with our employee handbook in connection with compliance with applicable laws and regulations.

There can be no assurance that the anti-corruption internal controls and procedures we have established will effectively prevent our noncompliance with the anti-corruption laws, regulations and rules in the Chinese mainland and Hong Kong SAR arising from actions taken by the individual employees without our knowledge. If this occurs, we and/or our relevant employees may be subject to investigations and administrative or criminal penalties, and our reputation could be harmed by any negative publicity stemming from such incidents, which may materially and adversely affect our business, financial condition, results of operations and prospects.

Failure to comply with existing or new government regulations relating to the catering 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 laws and regulations in the Chinese mainland and Hong Kong SAR. 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 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. 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. 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. See also "Regulatory Overview — Regulations on Food Safety and Licensing Requirements for Catering Services" and "Regulatory Overview — Regulations on Fire Prevention".

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.

We cannot assure you that any new rules or regulations promulgated in the future will not impose new requirements on us or otherwise tighten the regulations on us. If it is determined in the future that new approval from or filing with the CSRC or other regulatory authorities or other procedures is required, we may fail to obtain such approval, perform such filing procedures, or meet such new requirements in a timely manner or at all. Such failure may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial condition. Furthermore, any unforeseeable circumstances and/or negative publicity regarding such an approval, filing, or other requirements may also have a material adverse effect on the price of our shares.

We are subject to the currency exchange regulatory system in the Chinese mainland.

The conversion of Renminbi is subject to applicable laws and regulations in the Chinese mainland. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current foreign exchange regulatory system in the Chinese mainland, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks in the Chinese mainland that have the licenses to carry out foreign exchange business.

Under existing foreign exchange regulations, following the completion of the [**REDACTED**], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or to satisfy any other foreign exchange requirements, capitalize our capital expenditure plans, and even our business, operating results and financial condition, may be affected.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your [REDACTED].

During the Track Record Period, our revenue and expenditures were mainly denominated in Renminbi, while the [**REDACTED**] from the [**REDACTED**] will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi in terms of the [**REDACTED**] from the [**REDACTED**]. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our Chinese mainland subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

Payment of dividends or gains from the sale or other disposition of our H Shares is subject to taxation under PRC Law.

Non-Chinese mainland resident individual holders of H Shares whose names appear on the register of members of H Shares ("**Non-Chinese mainland Resident Individual Holders**") are subject to the Chinese mainland individual income tax on dividends received from us and gains realized through the sale or transfer by other means of H shares by such holders.

Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (國稅函[2011]348號) dated June 28, 2011 and issued by the SAT of the Chinese mainland, the tax rate applicable to dividends paid to Non-Chinese mainland Resident Individual Holders of H Shares varies from 5% to 20%, depending on whether there is any applicable tax treaty between the Chinese mainland and the jurisdiction in which the Non-Chinese mainland Resident Individual Holder of H Shares resides, as well as the tax arrangement between the Chinese mainland and Hong Kong SAR.

In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, Non-Chinese mainland Resident Individual Holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H Shares. However, according to the Circular of the Ministry of Finance and the SAT on Issues Concerning Individual Income Tax Policies (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》), income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise are exempt from individual income tax for the time being. Pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the Ministry of Finance and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. Based on our knowledge, as of the Latest Practicable Date, the PRC tax authorities have not in practice sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) ("**EIT Law**") and its implementation regulations, a non-Chinese mainland resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its Chinese mainland-sourced income, including dividends received from a Chinese mainland company and gains derived from the disposition of equity interests in a Chinese mainland company. This rate may be reduced under any special arrangement or applicable treaty between the Chinese mainland and the jurisdiction in which the non-Chinese mainland resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10% from dividends payable to non-Chinese mainland resident enterprise holders of H Shares (including [**REDACTED**]). Non-Chinese mainland resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. Pursuant to the Arrangements between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) dated August 21, 2006, any non-resident enterprise registered in Hong Kong that holds directly at least 25% of the shares of our Company shall pay EIT for the dividends declared and paid by us at a tax rate of 5%. If the PRC tax authorities collect enterprise income tax on gains derived upon the sale or other disposition of H Shares from non-Chinese mainland resident enterprise holders of H Shares in the future, the value of such non-Chinese mainland resident enterprise holders' investments in H Shares may be materially and adversely affected.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions against us or our management named in the document based on foreign laws.

Most of our Directors and executive officers reside within the Chinese mainland, and most of our assets and substantially all of the assets of those persons are located within the Chinese mainland. It may not be possible for [**REDACTED**] to effect service of process upon us or those persons inside the Chinese mainland or to enforce against us or them in the Chinese mainland any judgments obtained from non-Chinese courts. The Chinese mainland does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. However, judgments rendered by courts in Hong Kong SAR may be recognized and enforced in the Chinese mainland if the requirements set forth by the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and 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》) are met. Therefore, recognition and enforcement in the Chinese mainland of judgments of a court in any of these jurisdictions other than Hong Kong SAR in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

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

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] for our H Shares, and you may not be able to resell our Shares at or above the price you pay, or at all.

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

The price and [REDACTED] of our H Shares may be volatile, which could lead to substantial losses to [REDACTED].

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

Future sales or perceived sales of substantial amounts of our H Shares in the [REDACTED] could have a material adverse effect on the prevailing [REDACTED] of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.

Future sales of a substantial number of our H Shares, especially by our Directors, executive officers, [**REDACTED**] Investors and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the [**REDACTED**] of our H Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up periods. While we are currently not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Upon the completion of the [**REDACTED**] and the [**REDACTED**] of Unlisted Shares into H Shares, our Shares will only consist of H Shares. Unlisted Shares and H Shares are all ordinary Shares in the share capital of our Company and are considered as one class of Shares. For details, see "Share Capital." In the case that there is any further issue of Unlisted Shares and subsequent [**REDACTED**] into H Shares in the future, your shareholding under the class of holders of our H Shares will be diluted.

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

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

Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. The concentration of ownership may discourage, delay or prevent a change in control of the Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of the Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholder may exercise its substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

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

While dividends may be paid out of distributable profits under our Articles of Association. For our declaration and distribution of dividends during the Track Record Period, see "Financial Information — Dividends." Distributable profits mean our net profits for a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less the portions allocated to the discretionary reserve approved by the Shareholders' meeting and the statutory reserve. As a result, we may not have sufficient profit to enable us to make future dividend distributions to our Shareholders, even if our financial statements prepared in accordance with IFRSs indicate that our operations had been profitable. Furthermore, future determination of dividends will also depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, capital adequacy ratio, operation and capital expenditure requirement and other factors that our Board consider relevant. We cannot assure you that the factors we take into consideration will not change in the future.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

We strongly caution our [**REDACTED**] not to rely on any information contained in press articles or other media regarding us, our Shares and the [**REDACTED**]. Prior to the publication of this document, there may be press and media coverage regarding the [**REDACTED**] and us. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and our [**REDACTED**] should not rely on such information.

Certain facts, forecast and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this document are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said 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 or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] or any of their respective affiliates or advisers or any other party involved in the [**REDACTED**] and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our [**REDACTED**] that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our [**REDACTED**] should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain [**REDACTED**] information and other matters. The words "aim", "anticipate", "believe", "could", "predict", "potential", "continue", "expect", "intend", "may", "might", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and [**REDACTED**] should not place undue reliance.

In preparation for the [**REDACTED**], 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, a new applicant for [**REDACTED**] on the Stock Exchange must have sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, the new applicant's arrangements for maintaining regular communication with the Stock Exchange.

Since our headquarters and principal business operations are located in the Chinese mainland and the management functions of our Group are carried out in the Chinese mainland, our executive Directors are based in the Chinese mainland, and are expected to continue to be based in the Chinese mainland, to better manage and attend to our Group's business operations. We consider that it is in the best interests of our Company for our executive Directors to be based in the places where our Group has significant operations and it would be practically difficult, unduly burdensome and costly to relocate our executive Directors to Hong Kong SAR or appoint additional executive Directors who are ordinarily resident in Hong Kong SAR. Therefore, we do not and, in the foreseeable future, will not have sufficient management presence in Hong Kong SAR for the purpose of satisfying the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted us,] a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules, provided that our Company implements the following arrangements to maintain regular communication between the Stock Exchange and us:

(a) we have appointed Mr. Song, our executive Director and Ms. Tang King Yin (鄧景賢) ("**Ms. Tang**"), one of our joint company secretaries, as our authorized representatives for the purpose of Rule 3.05 of the Listing Rules. Our authorized representatives will act as the principal channel of communication between the Stock Exchange and our Company. Ms. Tang is ordinarily resident in Hong Kong, and Mr. Song will be available to visit Hong Kong and meet with the Stock Exchange within a reasonable period of time upon request. Each of our Company's authorized representatives will be readily contactable by the Stock Exchange by telephone and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of our authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange;

(b) our authorized representatives have means to contact all of our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. We have provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number and e-mail address), and in the event that a Director expects to be traveling or otherwise be out of office, he/she will provide his/her phone numbers or means of communication to our authorized representatives;

(c) each Director who is not ordinarily resident in Hong Kong has confirmed that he/she possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange upon reasonable notice;

(d) we have appointed Altus Capital Limited as our compliance advisor (the "**Compliance Advisor**"), pursuant to Rule 3A.19 of the Listing Rules, who will have access at all times to our authorized representatives, Directors and senior management, and will act as an additional channel of communication between the Stock Exchange and us for the period commencing from the [**REDACTED**] to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [**REDACTED**]. Our authorized representatives, Directors and other officers of our Company will provide our Compliance Advisor with such information and assistance as our Compliance Advisor may reasonably require in connection with the performance of its duties;

(e) any meeting between the Stock Exchange and our Directors will be arranged through our authorized representatives, our Compliance Advisor or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes to our authorized representatives and our Compliance Advisor; and

(f) we will also retain legal advisers to advise on on-going compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after [**REDACTED**].

We believe that the above measures and arrangements will ensure that all members of our Board can be promptly informed of any matters raised by the Stock Exchange and that there is an effective communication channel in place between the Stock Exchange and our Company.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who possesses the necessary academic or professional qualifications or relevant experience, and is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

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

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

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

(a) length of employment with the issuer and other issuers and the roles he/she played;

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

(c) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company considers that while it is important for our company secretary to be familiar with the relevant securities regulations in Hong Kong, he/she also needs to have experience relevant to our Group's internal administration and business operations and have a close working relationship with the management of our Company in order to perform the functions of a company secretary and take the necessary actions in the most effective and efficient manner. We consider it beneficial for our Company to appoint a company secretary who reports directly to our senior management and is familiar with our Company's industry, business and affairs.

We have appointed Mr. Zhang Hua (章驊) ("**Mr. Zhang**") and Ms. Tang as the joint company secretaries of our Company. Ms. Tang is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, and therefore meets the qualification requirements under note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules. Although Mr. Zhang does not possess the qualification and sufficient relevant experience as stipulated in the notes to Rule 3.28 of the Listing Rules, considering Mr. Zhang's position as our finance director, his extensive experience in accounting and finance matters, close working relationship with the management of the Company, and understanding of the internal administration and business operations of our Group as well as his industry knowledge, he is a suitable person to act as a company secretary of our Company. In addition, as our headquarters and principal business operations are located in the Chinese mainland, our Directors believe that it is necessary to appoint Mr. Zhang as a company secretary whose presence in the Chinese mainland will enable him to attend to the day-to-day corporate secretarial matters concerning our Group. We believe that it would be in the best interests of our Company and the corporate governance of our Group to have Mr. Zhang as our joint company secretary. For more details of Mr. Zhang and Ms. Tang's biographical information, see "Directors, Supervisors and Senior Management".

Apart from discharging her functions in her role as one of our joint company secretaries, Ms. Tang will assist Mr. Zhang in enabling him to acquire the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. In addition, Mr. Zhang will also attend relevant professional training during each financial year as required under Rule 3.29 of the Listing Rules.

We have therefore applied to the Stock Exchange for[, and the Stock Exchange has granted us,] a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in respect of the appointment of Mr. Zhang as one of our joint company secretaries on the conditions that: (i) Mr. Zhang must be assisted by Ms. Tang, who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the waiver period; and (ii) the waiver will be revoked if there are material breaches of the Listing Rules by our Company.

We expect that Mr. Zhang will acquire the qualifications or relevant experience required under Rule 3.28 of the Listing Rules prior to the end of the three-year period after the [**REDACTED**]. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Zhang, having had the benefit of Ms. Tang's assistance for three years, has acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Executive Directors

Name	Address	Nationality
Mr. Song Qi (宋奇)	Room 1503 No. 21 Huacheng Avenue Tianhe District, Guangzhou Guangdong province China	Chinese
Mr. Su Xuxiang (蘇旭翔)	Room 3106, Building 13 No. 160, Nancun East Line Panyu District, Guangzhou Guangdong province China	Chinese
Ms. Luo Yanling (羅燕靈)	Room 1503 No. 21 Huacheng Avenue Tianhe District, Guangzhou Guangdong province China	Chinese

Non-Executive Directors

Name	Address	Nationality
Mr. Wang Xiaolong (王小龍)	Room D302 No. 8 Shangdi West Road Haidian District, Beijing China	Chinese

Independent non-executive Directors

Name	Address	Nationality
Mr. Xu Lei (徐雷)	No. 1307, 13/F, Building 1 Courtyard No. 18 Dongzhimenwai Street Dongcheng District, Beijing China	Chinese

Name	Address	Nationality
Mr. Chan Kwok Bun (陳國彬)	Flat D, 12/F, BLK 1, Bellagio 33 Castle Peak Road Sham Tseng New Territories Hong Kong	Chinese (Hong Kong)
Mr. Zhong Jiesheng (鍾杰生)	Room 902 No. 16 Xiancun Road Tianhe District, Guangzhou Guangdong province China	Chinese

Supervisors

Name	Address	Nationality
Ms. Qin Yan (秦燕)	Room 204, Block 6, Liquan Building Lijiang Garden, Luopu Street Panyu District, Guangzhou Guangdong province China	Chinese
Mr. Peng Yue (彭躍) (formerly named Peng Nianyue (彭年躍))	Room 4-2, Unit 3, Building 23 Nancheng Community No. 4 Lvcheng South Road Xipeng Town Jiulongpo District, Chongqing China	Chinese
Ms. Zhang Qi (張琦)	Room 505, Building 1 186 Gaoji Street Chancheng District, Foshan Guangdong province China	Chinese

See "Directors, Supervisors and Senior Management" for further details.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**CMB International Capital Limited** 45/F Champion Tower 3 Garden Road, Central Hong Kong

[REDACTED]

Legal advisers to our Company	*As to Hong Kong laws* **Han Kun Law Offices LLP** Rooms 4301-10 43/F., Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC Law* **Jingtian & Gongcheng** 34/F, Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing 100025 China *As to PRC Law on cybersecurity and data privacy protection* **Jia Yuan Law Offices** 45F, Media Finance Center Pengcheng 1st Road Futian District, Shenzhen Guangdong Province China

Legal advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong laws* **Eric Chow & Co. in Association with Commerce & Finance Law Offices** 3401, Alexandra House 18 Chater Road Central Hong Kong *As to PRC Law* **Commerce & Finance Law Offices** 12-15/F, China World Office 2 No. 1 Jianguomenwai Avenue Chaoyang District Beijing China
Independent Auditor and Reporting Accountants	**KPMG** *Certified Public Accountants* *Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance* 8th Floor Prince's Building 10 Chater Road Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504, Wheelock Square 1717 West Nanjing Road Shanghai China
Compliance Advisor	**Altus Capital Limited** 21 Wing Wo Street Central Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office	Room 4068, 4th Floor No. 102, Keyun Road Zhongshan Avenue Tianhe District, Guangzhou Guangdong province China
Headquarters and Principal Place of Business in China	1510-1511, 15F No. 148 Xingang East Road Haizhu District, Guangzhou Guangdong province China
Principal Place of Business in Hong Kong	Room 1912, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company Website	**https://www.xiaonoodles.com** *(the information contained on this website does not form part of this document)*
Joint Company Secretaries	**Mr. Zhang Hua (章驊)** 1510-1511, 15F No. 148 Xingang East Road Haizhu District, Guangzhou Guangdong province China
	Ms. Tang King Yin (鄧景賢) *(ACG, HKACG)* Room 1912, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

Authorized Representatives	**Mr. Song Qi (宋奇)** Room 1503 No. 21 Huacheng Avenue Tianhe District, Guangzhou Guangdong province China **Ms. Tang King Yin (鄧景賢)** Room 1912, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Audit Committee	Mr. Chan Kwok Bun (陳國彬) *(Chairperson)* Mr. Xu Lei (徐雷) Mr. Zhong Jiesheng (鍾杰生)
Remuneration and Appraisal Committee	Mr. Zhong Jiesheng (鍾杰生) *(Chairperson)* Mr. Chan Kwok Bun (陳國彬) Mr. Song Qi (宋奇)
Nomination Committee	Mr. Xu Lei (徐雷) *(Chairperson)* Mr. Zhong Jiesheng (鍾杰生) Ms. Luo Yanling (羅燕靈)

[**REDACTED**]

Principal Banks	**China Merchants Bank Co., Ltd.** **Guangzhou Huanshi East Road Branch** 201-1, 108, No. 3 Tianhe Road Yuexiu District, Guangzhou Guangdong province China
	Bank of China Limited Guangzhou **Xianlie Middle Road Branch** Room 102 No. 81 Xianlie Middle Road Yuexiu District, Guangzhou Guangdong province China
	China CITIC Bank Corporation Limited **Guangzhou Huacheng Branch** Shop B2, 1st floor, Building B and 1st floor, Building A Junyi Building No. 933-935 Jinsui Road Zhujiang New Town Tianhe District, Guangzhou Guangdong province China

The information and statistics set out in this section and other sections of this document were extracted from an independent industry report prepared by Frost & Sullivan (the "F&S Report"), which was commissioned by us, and from various official government publications and publicly available resources. We engaged Frost & Sullivan to prepare the F&S Report in connection with the [**REDACTED**]. *The information from official sources has not been independently verified by us, the Sole Sponsor, the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the* [**REDACTED**] *(other than Frost & Sullivan), and no representation is given as to its accuracy. For discussion of risks related to our industry, please see "Risk Factors — Risks Relating to Our Business and Industry" in this document.*

The food service market comprises businesses and establishments that prepare, serve, and distribute food and beverages for on-site or off-site consumption, catering to a wide range of consumer dining preferences. This market is broadly divided into two primary categories: Quick Service Restaurants (QSR) and Full Service Restaurants (FSR). QSR establishments emphasize speed, efficiency, and standardized processes, offering fast food or ready-to-eat meals that cater to consumers prioritizing convenience and quick dining solutions. In contrast, FSR venues focus on delivering a comprehensive dining experience characterized by a diverse menu, personalized service, and a comfortable ambiance, appealing to those seeking a more relaxed and engaging meal experience.

The QSR segment can be further divided by cuisine type into three categories: Chinese QSR, Western QSR, and other QSR, such as Japanese QSR and Southeast Asian QSR. Chinese QSR centers on offerings rooted in traditional local flavors, while Western QSR focuses on dishes and service concepts derived from Western culinary traditions. Other QSR formats blend diverse Asian or other regional culinary influences.

OVERVIEW OF THE CHINESE MAINLAND'S FOOD SERVICE MARKET

The food service sector in the Chinese mainland represents a multi-trillion RMB market opportunity and has experienced significant growth over the past several years. From 2020 to 2024, the market expanded from RMB4.0 trillion to RMB5.5 trillion in GMV, achieving a CAGR of 8.3%. This growth was driven by increasing urbanization, rising disposable incomes, accelerated digital transformation, and the market's notable resilience during the COVID-19 pandemic, which spurred rapid adoption of online ordering and delivery services despite unprecedented challenges.

Looking ahead, the period from 2025 to 2029 presents substantial growth potential, with projections indicating a market size of RMB7.1 trillion by 2029 and an anticipated CAGR of 5.6%. This future expansion is expected to be fueled by ongoing technological innovation, an expanding middle-class consumer base, and evolving dining preferences that increasingly blend convenience with quality.

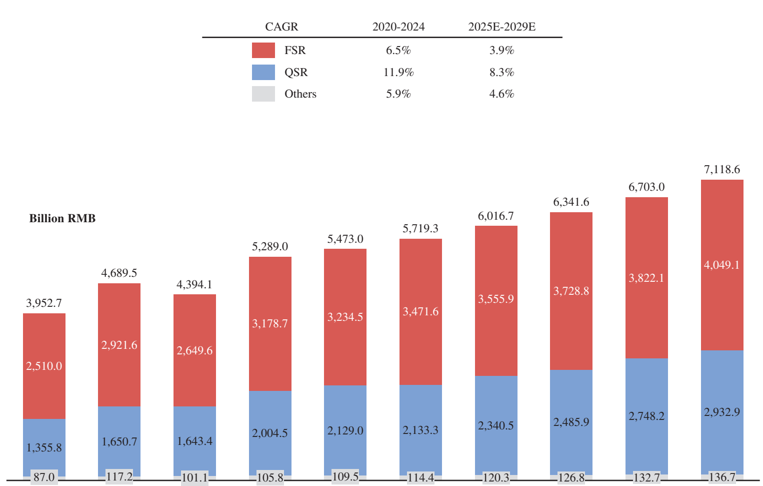
Enormous Scale, with Chinese QSR the Leading Driver of Growth

The food service market in the Chinese mainland has reached an enormous scale, underpinned by rapid growth and transformation across all segments. Among these, the Chinese QSR segment stands out as the leading driver of growth, propelled by strong local consumer demand for traditional flavors and convenience. This sector has not only attracted a wide range of consumers with its familiar tastes but has also innovated continuously — introducing new menu items that blend tradition with modern culinary trends — to keep pace with evolving consumer palates. Streamlined service operations, bolstered by digital ordering and efficient delivery networks, have enabled QSR outlets to serve large urban populations quickly and effectively, while their strategic geographic expansion into both mature metropolitan areas and emerging markets has significantly widened their reach. Furthermore, the adoption of advanced technology has improved operational efficiency, allowing these businesses to maintain consistent quality across multiple locations and adapt swiftly to market changes. As consumer preferences continue to evolve — driven by rising disposable incomes, a growing appetite for convenience, and increasing urbanization — Chinese QSR is expected to further solidify its pivotal role, catalyzing sustained expansion and reinforcing the overall dynamism of the Chinese food service market.

In 2024, the QSR market in the Chinese mainland reached RMB2,129.0 billion in GMV, marking a significant milestone in its evolution. From 2020 to 2024, the market expanded from RMB1,355.8 billion to RMB2,129.0 billion, achieving a CAGR of 11.9%. During this period, the proportion of QSR GMV within the broader Chinese food service market rapidly increased, underscoring its growing influence. Looking ahead, the market is projected to reach RMB2,932.9 billion by 2029 with an anticipated CAGR of 8.3% from 2025 to 2029, as continued menu innovation, enhanced service delivery, and further adoption of digital ordering and delivery solutions propel sustained growth.

The following table sets forth the breakdown of the market size, measured by GMV, of the Chinese mainland's food service market by major sub-sectors from 2020 to 2029.

Market size of the Chinese Mainland's Food Service Industry, in terms of GMV, 2020-2029E



Source: National Bureau of Statistics of China ("NBS"), China Food Industry Association ("CFIA") and Frost & Sullivan Analysis

Chain operations are emerging as a major trend in the Chinese QSR market, offering distinct strategic advantages. These operators benefit from standardized processes, centralized procurement, and consistent brand experiences that facilitate rapid scaling and enhance operational efficiency. Drivers behind this trend include the growing demand for uniform quality and fast service, the increasing consumer reliance on digital ordering and delivery platforms, and the competitive pressures that push brands to differentiate themselves through operational excellence. Additionally, the development and standardization of the food service supply chain — especially through advancements in pre-prepared and clean-cut ingredients — has further streamlined operations and bolstered the case for chain expansion, positioning these operators to capture a larger share of the evolving market.

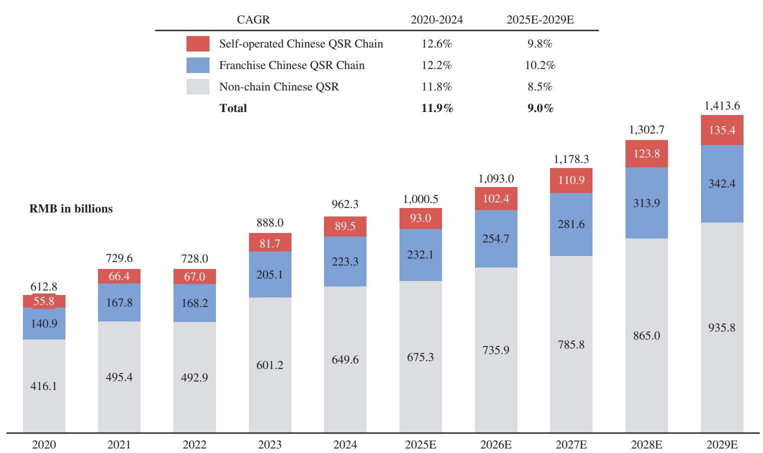
	Chain Chinese QSR	Non-Chain Chinese QSR
Business Model	Standardized operations with centralized management	Independently operated with flexible management styles
Brand Recognition	Strong brand presence, benefiting from marketing and nationwide expansion	Limited to local reputation, often relying on word-of-mouth
Scale of Operations	Large-scale with multiple outlets domestically or internationally	Single or a few locations, typically local or regional
Supply Chain Efficiency	Centralized procurement and distribution, cost-effective due to economies of scale	Decentralized sourcing, potentially higher costs and less consistency
Quality Control	Consistent product quality across all outlets	Quality may vary depending on the chef or local supplier
Innovation Capability	Structured product development with R&D investment	Flexible innovation based on local tastes and trends

Source: Frost & Sullivan Analysis

Currently, the Chinese QSR market is primarily composed of non-chain operations, with a chain penetration rate of only 32.5% in 2024. Within the chain QSR segment, self-operated Chinese QSR chains and franchised Chinese QSR chains account for 9.3% and 23.2% of the total Chinese QSR market GMV in 2024, respectively.

However, with advancements in supply chain management, operational standardization, and digitalization, the growth of chain QSRs is expected to accelerate. By 2029, the market size of chain Chinese QSRs in the Chinese mainland is projected to reach RMB477.8 billion, while non-chain Chinese QSRs will expand to RMB935.8 billion, though at a slowing pace. The CAGR for self-operated and franchised Chinese QSR chains is estimated at 9.8% and 10.2%, respectively, with overall chain penetration anticipated to increase to 33.8% by 2029. Enhanced standardization and digitalization will strengthen quality control, improve store replicability, and drive the expansion of Chinese QSRs, catering to consumers' growing expectations for food quality and dining experience. The chart below sets forth the breakdown of the market size, measured by GMV, of the Chinese QSR market in the Chinese mainland by chain and non-chain from 2020 to 2029.

Market size of the Chinese QSR Market in the Chinese mainland, in terms of GMV, 2020-2029E



Source: NBS, CFIA and Frost & Sullivan Analysis

OVERVIEW OF CHINA'S CHINESE NOODLE RESTAURANT MARKET

Chinese Noodle Restaurant: A Dynamic Segment in the Broader Chinese QSR Landscape

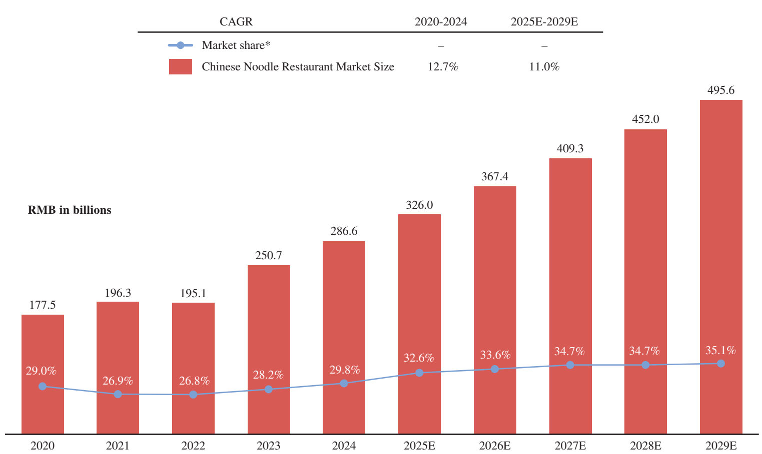
The Chinese noodle restaurant market in China is rapidly developing into a dynamic and growing segment within the broader QSR landscape, driven by the enduring appeal of traditional noodle dishes and the demand for fast, convenient dining experiences. This market is characterized by a fusion of classic culinary traditions and innovative service models, spurred by trends such as urbanization, rising disposable incomes, and a strong shift toward digital ordering and delivery platforms. As consumer preferences continue to evolve, noodle restaurant establishments are leveraging menu innovation and operational efficiency to capture market share and drive growth.

The Chinese noodle restaurant segment is the dominant sector within the overall noodle food service market in China, accounting for more than 95% of the market share. The total GMV of the Chinese noodle restaurant market in China (including the Chinese mainland, Hong Kong SAR, Macau Special Administrative Region and Taiwan province) had expanded from RMB183.3 billion in 2020 to RMB296.2 billion in 2024, at a CAGR of 12.7%. Looking forward, the growth of the Chinese noodle restaurant market is expected to accelerate further to reach the total GMV of RMB510.0 billion by 2029, at a CAGR of 10.9% from 2025 to 2029, based on further urbanization, increase in disposable income and increase in the proportion of consumers dining out in China. Within the Chinese noodle restaurant market, the total GMV of market of Chinese noodle restaurants specializing in Sichuan and Chongqing-style in China had expanded from RMB45.0 billion in 2020 to RMB72.7 billion in 2024, at a CAGR of 12.8%, and is expected to reach the total GMV of RMB135.7 billion by 2029, at a CAGR of 13.2% from 2025 to 2029.

In 2024, the Chinese noodle restaurant market in the Chinese mainland reached RMB286.6 billion in GMV. From 2020 to 2024, this segment experienced substantial growth, expanding from RMB177.5 billion to RMB286.6 billion and achieving a CAGR of 12.7%. Looking ahead, driven by an expanding customer base resulting from increasing urbanization and rising household income levels, as well as the growing popularity of traditional Chinese noodle dishes, the market is projected to maintain a double-digit growth, with an anticipated GMV of RMB495.6 billion by 2029, reflecting a projected CAGR of 11.0% from 2025 to 2029.

The chart below presents the market size, measured by GMV, of the Chinese noodle restaurant market in the Chinese mainland and its penetration rate within the entire Chinese QSR market from 2020 to 2029.

Market size of the Chinese Noodle Restaurant Market in the Chinese mainland, in terms of GMV, 2020-2029E



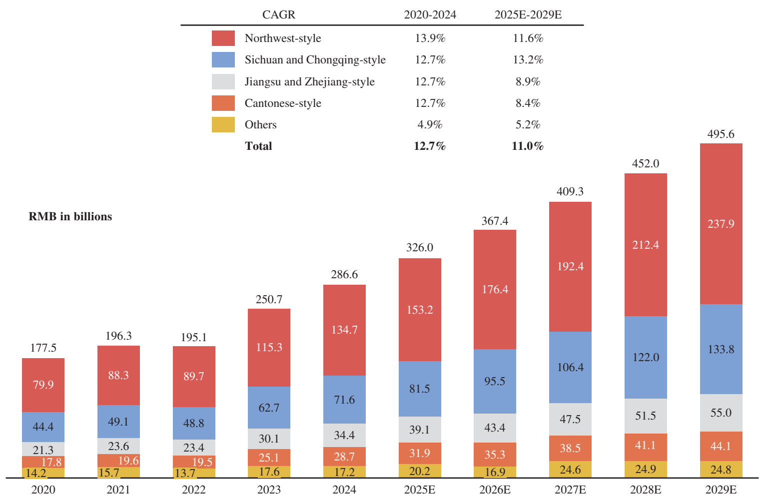
**Note:* market share refers to the proportion of Chinese noodle restaurant in the overall Chinese QSR market size.

Source: NBS, CFIA and Frost & Sullivan Analysis

The Chinese noodle restaurant market in the Chinese mainland is segmented by regional cuisine types, each offering distinct flavor profiles and dining experiences that cater to diverse consumer preferences. Key segments include Northwest-style noodles, Sichuan-Chongqing style noodles, Jiangsu-Zhejiang style noodles, and Cantonese-style noodles. Notably, the popularity of Sichuan-Chongqing style noodles is increasing, driven by their bold, spicy flavors and the growing trend among urban consumers for both traditional and innovative dining options. This rising consumer interest is spurring significant innovation and expansion within the Sichuan-Chongqing segment, positioning it as a major growth driver within the overall Chinese noodle restaurant landscape.

The chart below sets forth the breakdown of the market size, measured by GMV, of the Chinese noodle restaurant market in the Chinese mainland by different cuisine types from 2020 to 2029.

Market size of the Chinese Noodle Restaurant Market in the Chinese mainland, in terms of GMV, 2020-2029E



Source: Source: NBS, CFIA and Frost & Sullivan Analysis

Growth Drivers

The rapid growth of the Chinese QSR, and Chinese noodle restaurant segments is primarily driven by the following factors.

- ***Rising Consumer Demand for Convenience and Quality.*** As urbanization accelerates and consumer lifestyles become busier, the demand for quick, convenient dining options continues to rise. Additionally, with increasing disposable income, consumers are willing to spend more on convenient yet quality dining experiences. This trend benefits the entire QSR market, including Chinese noodle restaurant segment, as consumers seek high-quality meals that can be served quickly, both in-store and via delivery.

- ***Technological Advancements and Digital Integration.*** The rapid adoption of digital ordering platforms, delivery apps, and automated processes has significantly enhanced the operational efficiency of QSRs. Leading QSR brands are increasingly leveraging technology to streamline service and improve customer engagement, while Chinese noodle restaurant operators are adopting these tools to offer a seamless, efficient dining experience and cater to the growing demand for contactless ordering and delivery.

- ***Expansion of Brand Chains and Standardization.*** The increasing shift towards chain operations within the QSR market, including Chinese noodle restaurant and other Chinese QSRs, is driving growth. Standardized operations, consistent product offerings, and the ability to scale quickly across cities and regions have enabled these brands to capture more market share.

- ***Policy Support and Standardization of Food Safety Regulations.*** The government's increasing focus on the standardization of the food service industry and stricter food safety regulations is contributing to the overall improvement of the market. This is encouraging the development of chain operations and the further standardization of processes within the QSR sector, driving growth across Chinese QSR and Chinese noodle restaurant segments.

Future Trends

The development of the Chinese QSR, and Chinese noodle restaurant segments is shaped by the following key trends.

- ***Branding and Chain Development Trend.*** With changing consumer perceptions and intensified market competition, consumers are increasingly inclined to choose dining brands with strong brand recognition, stable service, and consistent quality. Branding and chain development have become core growth strategies for food service companies. Through standardized operations, stable product quality, and clear brand images, chain restaurant brands gain higher market recognition. Additionally, the economies of scale afforded by chain operations help companies control costs in areas like ingredient sourcing and supply chain management, further enhancing market competitiveness.

- ***Ongoing Supply Chain Optimization and Greater Economies of Scale.*** Chinese QSR brands are enhancing their supply chain management to control costs and ensure faster service. The shift toward chain operations and scaling up has enabled companies to reduce costs through centralized procurement, standardized processes, and optimized logistics, resulting in improved profitability. This ongoing supply chain optimization further strengthens the competitiveness of QSR brands, driving sustainable growth.

- ***Rise of Young Consumer Groups and Greater Influence of Social Media.*** Consumers from the post-90s and post-00s generations are becoming the dominant consumer groups, favoring convenient, high-quality dining experiences and embracing innovative elements in Chinese fast food service. Social media platforms, especially short-video apps, have amplified the impact of digital marketing. Consumers can quickly discover dining brands and share experiences, enabling QSRs to attract a larger audience of young consumers through targeted digital marketing and brand image promotion.

- ***Integration of Technology and Digital Transformation.*** The integration of advanced technology in Chinese QSR is driving a digital transformation across the sector. From online ordering platforms and self-service kiosks to automated kitchens and data-driven insights, technology is being leveraged to improve customer experience, streamline operations, and enhance service speed. This digital shift not only boosts operational efficiency but also enhances customer engagement, offering more personalized dining experiences and further fostering brand loyalty in an increasingly competitive market.

OVERVIEW OF OVERSEAS CHINESE QSR MARKET

The growing Chinese communities worldwide have significantly expanded the customer base for Chinese food service industry, with these communities maintaining a deep emotional and cultural connection to its flavors. In addition, the diversity and distinctiveness of Chinese food have attracted a global audience, making it one of the most popular cuisines worldwide. The successful international expansion of several Chinese restaurant chains highlights the industry's vast potential, encouraging further global growth. In 2024, the global Chinese food market reached a value of RMB8,099.0 billion, with overseas markets contributing RMB2,626.0 billion, or 32.4%. As a core element of Chinese cuisine, Chinese noodles have become a popular choice on international menus, with strong growth prospects in global markets.

COMPETITIVE LANDSCAPE ANALYSIS

Ranking and Market Share Analysis

The Chinese noodle restaurant market is highly fragmented with top 5 players only accounting for 2.9% market share in terms of GMV in 2024. This significant fragmentation signals substantial market consolidation potential. With the current landscape offering ample opportunities for strategic mergers, acquisitions, and organic chain expansion, established players can leverage economies of scale, streamline operations, and enhance supply chain efficiencies.

In 2024, Our Company was the fourth largest Chinese noodle restaurant operator in terms of GMV, capturing a market share of 0.5%. Notably, the Company was also the largest Sichuan-Chongqing style noodle restaurant operator in terms of GMV, and ranked the first among all restaurant chains in China in terms of offline sales volume of Chongqing noodles, noodles with peas and meat sauce and hot and sour sweet potato noodles from 2022 to 2024 for three consecutive years. Furthermore, the Company was the fastest growing player among the top ten Chinese noodle restaurants in China, recording the highest CAGR of GMV from 2022 to 2024.

Ranking of Chinese Noodle Restaurant Operators in China, by GMV in 2024

Ranking	Brand	GMV in 2024 (RMB in millions)	Market Share in 2024 (%)	2022-2024 CAGR of GMV
1	A	2,530.0	0.9%	23.8%
2	B	2,060.0	0.7%	14.5%
3	C	1,420.0	0.5%	47.8%
4	**The Company**	**1,348.4**	**0.5%**	**58.6%**
5	D	1,250.0	0.4%	28.2%
	Top 5 as a total	8,608.4	2.9%	29.1%
	Total	296,170.7	100%	

Note: Company A: Founded in 2012 and headquartered in Jiangsu, focuses on providing Chinese noodle dishes
Company B: Founded in 1987 and headquartered in Beijing, specializes in Chinese-style beef noodle dishes
Company C: Founded in 2014 and headquartered in Shenzhen, specializes in Northwestern Chinese noodle dishes
Company D: Founded in 2019 and headquartered in Shanghai, focuses on Lanzhou-style beef noodles

Source: Company website, Expert interview, and Frost & Sullivan Analysis

Key Success Factors

- ***Strong Site Selection Capabilities.*** Effective location strategy is critical in the Chinese QSR and Chinese noodle restaurant segments. Operators that excel in selecting high-traffic areas achieve rapid expansion with a high rate of successful store openings. This strong site selection capability not only contributes to widespread brand presence but also ensures long store lifespans and low closure rates, further solidifying market leadership and long-term sustainability.

- ***Brand and Market Recognition.*** The QSR industry is highly dependent on brand recognition, with well-known brands enjoying higher market visibility and customer loyalty. New entrants, lacking brand awareness and an established customer base, find it challenging to attract large volumes of customers, especially given the increasing trend of branding and chain development in the Chinese fast-food sector. Building a strong, recognizable brand is critical for sustaining long-term success and gaining consumer trust in a competitive market.

- ***Supply Chain and Cost Control.*** A stable and high-quality supply chain is essential, especially in Chinese fast-food sector, where ingredient variety and quality are critical. Established chains leverage economies of scale to control costs, benefiting from centralized procurement and optimized logistics. Without a robust supply chain system, it is difficult to maintain cost efficiency and mitigate operational risks, particularly during rapid expansion.

- ***Talent and Management Capabilities.*** The fast-paced nature of Chinese QSR and Chinese noodle restaurant, particularly in areas such as fast service, standardized processes, and store management, requires high-level operational expertise. New entrants that lack relevant management experience may struggle to maintain consistent product quality and service standards, which can significantly impact customer satisfaction and brand reputation. Effective talent management and strong operational leadership are essential for executing consistent quality and maintaining operational efficiency across multiple locations.

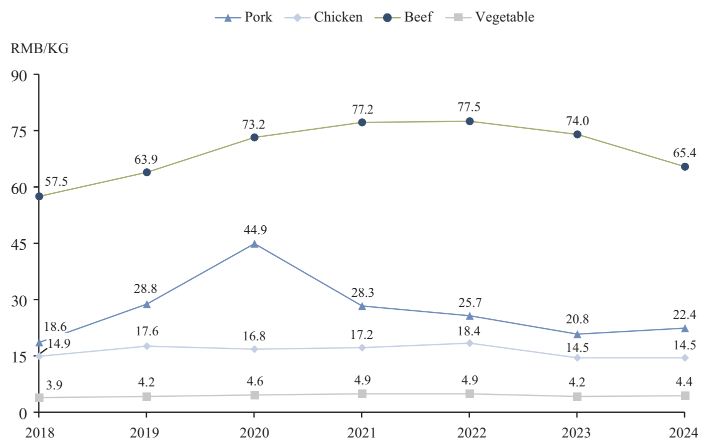
- ***Adoption of New Technologies and Digital Transformation.*** The successful development of Chinese QSR brands relies heavily on digital technology. Effective use of online ordering, delivery management, membership systems, and supply chain solutions enhances operational efficiency and customer experience. Brands that leverage technology to streamline processes and improve service are better positioned to meet the demands of the modern restaurant industry and remain competitive.

COST ANALYSIS

The primary cost components of a Chinese noodle restaurant are food ingredients, rental expenses, and labor costs. Food ingredients form a significant share of costs, as maintaining the quality and authenticity of diverse noodle offerings is essential for customer satisfaction. Rental expenses, especially in high-traffic urban areas, contribute substantially to overheads and influence strategic location decisions. Additionally, labor costs, driven by the need for skilled culinary talent and efficient service staff, are a critical factor in overall operational expenses. Together, these components determine the financial health and profitability of Chinese noodle restaurants, making their efficient management essential for sustainable growth in this competitive segment.

Food service companies in the Chinese mainland typically procure pork, beef, chicken, and vegetables as their main food ingredients. In recent years, some of these ingredients have seen a price fluctuation. For instance, the average price of beef rose from RMB57.5 per kilogram in 2018 to RMB65.4 per kilogram in 2024, primarily driven by growing consumer demand. While since 2022, the price of beef has shown a downward trend, peaking at RMB77.5 per kilogram before gradually declining to RMB65.4 per kilogram in 2024, reflecting adjustments in the supply and demand structure in the post-pandemic era.

The table below outlines the average prices of key food ingredients in the Chinese mainland from 2018 to 2024.

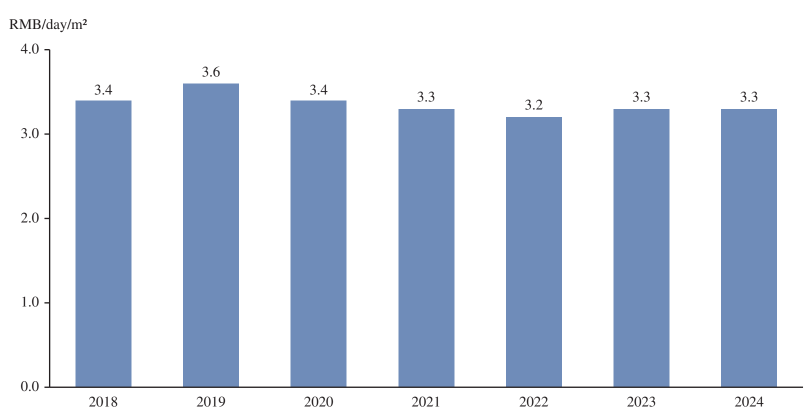


Source: National Bureau of Statistics, Frost & Sullivan

Note: (1) Price hereof refers to the wholesale price; (2) The average wholesale price of vegetables is the average wholesale price of 28 types of vegetable in the Chinese mainland.

In the Chinese mainland food service industry, rental expenses for retail properties represent a significant cost burden. Between 2018 and 2024, the average retail property rental rate in the Chinese mainland fluctuated between RMB3.2 to RMB3.6 per square meter per day, and reached RMB3.3 per square meter per day in 2024, reflecting a CAGR of -0.5% since 2018. This fluctuation was primarily affected by a combination of factors, including the economic recovery after the pandemic and oversupply in the commercial real estate sector.

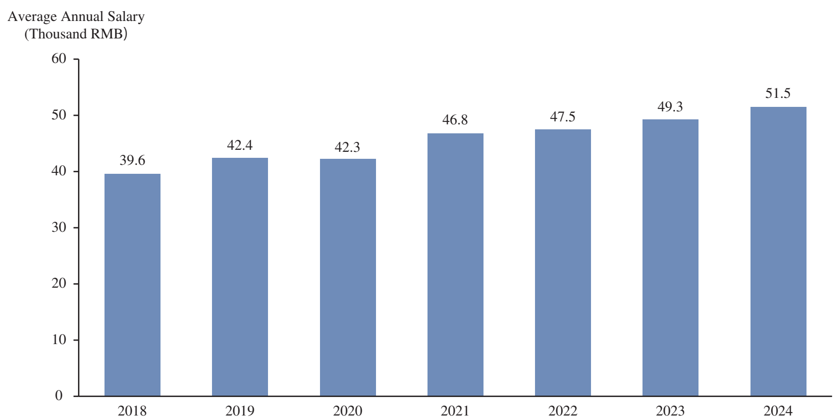
The following table outlines the average rental fee rate for retail properties in the Chinese mainland between 2018 to 2024.



Source: National Bureau of Statistics, Frost & Sullivan

Aligned with the sustained economic growth of the Chinese mainland, the average annual salary of employees in the Chinese mainland food service industry steadily increased from 2018 to 2024. Over the next five years, labor costs are expected to rise as the economy continues to develop and disposable income improves. Looking ahead, the average annual compensation for food service industry employees is projected to rise in tandem with the Chinese mainland nominal GDP growth.

The following table outlines the average annual salary of food service industry employees in the Chinese mainland from 2018 to 2024.



Source: National Bureau of Statistics, Frost & Sullivan

Note: Annual salary refers to average annual salary of private sector employees in the accommodation and catering markets.

SOURCE OF INFORMATION

This section contains information extracted from the F&S Report prepared by Frost & Sullivan independently, which is commissioned by us in connection with the [**REDACTED**]. We expect to pay Frost & Sullivan a total of RMB400,000 for the F&S Report and our use of the report. Frost & Sullivan is a consulting company which provides industry consulting services, commercial due diligence and strategic consulting services for a variety of industries. We are of the view that the payment of such fee does not impair the fairness of the conclusions drawn in the F&S Report. We have extracted certain information from the F&S Report in this section, as well as in the sections headed "Summary", "Risk Factors", "Business", "Financial Information" and elsewhere in this document to provide our potential [**REDACTED**] with a more comprehensive presentation of the industry in which we operate.

During the preparation of the F&S Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information on and industry insights into the food service markets in China and Globally. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources. The F&S Report was compiled based on the following assumptions: (1) the overall social, economic, and political environment in China and globally is expected to remain stable during the forecast period; (2) relevant key drivers are likely to drive the continued growth of the food service markets in China and globally throughout the forecast period; and (3) there is no extreme force majeure or unforeseen industry regulations in which the industry may be affected in either a dramatic or fundamental way. Our Directors have confirmed, after making reasonable inquiries and exercising reasonable care, that there is no adverse change in the market information since the date of the F&S Report which may qualify, contradict or impact the information disclosed in this section.

OVERVIEW

We are a leading and fast-growing modern Chinese noodle restaurants operator in China. We operate the *Xiao Noodles* (遇見小麵) brand in the Chinese mainland and Hong Kong SAR.

Our actual operation commenced in June 2014 when our Company, which was founded by Mr. Song, Mr. Su and Ms. Luo under the name of Guangzhou Jiao Gongjiang Catering Co., Ltd. (廣州市餃工匠餐飲有限公司), opened our first restaurant. For the biographical details of Mr. Song, Mr. Su and Ms. Luo, see "Directors, Supervisors and Senior Management." In September 2023, our Company was converted into a joint stock company with limited liability. As of the Latest Practicable Date, our Company had an issued share capital of 613,324,800 Shares in a nominal value of RMB0.02 each. Since 2014, we have expanded from a single-location noodle house in Guangzhou to 374 restaurants across 22 cities in the Chinese mainland and six restaurants in Hong Kong SAR under our dual model of corporate-owned and franchising as of the Latest Practicable Date.

OUR KEY MILESTONES

The table below sets out the key business milestones in the history of our Group:

Year	Event
2014	The brand "Xiao Noodles" (遇見小麵) was established and our first restaurant was opened in Guangzhou
2015	"Xiao Noodles University" (小麵大學) was established for systematic internal restaurant management and training system
	We received angel and angel+ investments from Mr. Gu Dongsheng (顧東生) and Shanghai Qingcong Capital Investment Partnership (Limited Partnership) (上海青驄股權投資合夥企業(有限合夥)) ("**Qingcong Capital**"), respectively
2016	We completed series Pre-A and series A investments, of which the lead investors were Jiumaojiu (九毛九) and Hony Capital (弘毅投資)
2017	"Xiao Noodles Research Institute" (小麵研究院) was established for systematic research and develop Sichuan and Chongqing cuisine
	We opened our first restaurant in Shenzhen

Year	Event
2018	We opened our first 24-hour restaurant
	We opened retail stores on e-commerce platforms
2019	We opened our first franchised restaurant
2020	We opened our first restaurant in Beijing
	We completed series A+ investments, of which the lead investors were Jiumaojiu and Mr. Gao Defu (高德福)
2021	We opened our 100th restaurant
	We completed series B and series B+ investments, of which the lead investor was Country Garden Holdings Company Limited
2023	We opened our 200th restaurant
2024	We opened our 300th restaurant and our first restaurant in Hong Kong

ESTABLISHMENT AND MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

1. Establishment of Our Company

On February 14, 2014, our Company was established as a limited liability company under PRC Law, with an initial registered capital of RMB60,000.00 and held by Mr. Song and Mr. Su, as to approximately 66.67% and 33.33%, respectively.

2. Angel and Angel+ Investments

On September 30, 2014, Mr. Gu Dongsheng entered into an equity investment agreement with Mr. Song and Mr. Su, pursuant to which, Mr. Gu Dongsheng agreed to invest RMB2,000,000.00 in our Company.

On March 2, 2015, Mr. Gu Dongsheng and Qingcong Capital entered into a capital increase agreement with our Company, pursuant to which, Qingcong Capital agreed to subscribe for an increased registered capital of RMB3,750.00 in our Company for a consideration of RMB666,700.00. The agreement also reiterated the investment of RMB2,000,000.00 from Mr. Gu Dongsheng, as committed in the equity investment agreement dated September 30, 2014, for an increased registered capital of RMB11,250.00.

Further, on April 1, 2015, Qingcong Capital and our Company entered into a supplementary agreement, adjusting the consideration of Qingcong Capital's investment from RMB666,700.00 to RMB800,000.00. The adjustment was made after the commercial negotiation between relevant parties.

For the background information of Mr. Gu Dongsheng and Qingcong Capital, see "— The [**REDACTED**] Investments — 4. Information relating to our [**REDACTED**] Investors."

Upon the completion of the above investments, the shareholding structure of our Company was as follows:

Name of Shareholder	Registered capital held	Percentage of shareholding
	(RMB)	
Mr. Song	40,000.00	53.33%
Mr. Su	20,000.00	26.67%
Mr. Gu Dongsheng	11,250.00	15.00%
Qingcong Capital	3,750.00	5.00%
Total	**75,000.00**	**100.00%**

3. Series Pre-A Investments in February 2016

On February 22, 2016, Guangzhou Jiumaojiu Catering Chain Co., Ltd. (廣州九毛九餐飲連鎖股份有限公司), currently known as Guangzhou Jiumaojiu Catering Chain Co., Ltd. (廣州九毛九餐飲連鎖有限公司), ("**Guangzhou Jiumaojiu**") and Qingcong Capital entered into a capital increase agreement with our Company, pursuant to which, Guangzhou Jiumaojiu and Qingcong Capital agreed to subscribe for increased registered capital of RMB4,547.65 and RMB239.35 for consideration of RMB2,850,000.00 and RMB150,000.00, respectively.

Due to its intra-group arrangement, Guangzhou Pinxin Yuegu Enterprise Management Co., Ltd. (廣州品芯悅穀企業管理有限公司) ("**Pinxin Yuegu**") was later designated as the investment vehicle to make the actual investment.

Both Guangzhou Jiumaojiu and Pinxin Yuegu are wholly-owned by Jiumaojiu International Holdings Limited, a company listed on the Stock Exchange (stock code: 9922) and for further information, see "— The [**REDACTED**] Investments — 4. Information relating to our [**REDACTED**] Investors."

Upon the completion of the above investments, the shareholding structure of our Company was as follows:

Name of Shareholder	Registered capital held	Percentage of shareholding
	(RMB)	
Mr. Song	40,000.00	50.13%
Mr. Su	20,000.00	25.07%
Mr. Gu Dongsheng	11,250.00	14.10%
Pinxin Yuegu	4,547.65	5.70%
Qingcong Capital	3,989.35	5.00%
Total	**79,787.00**	**100.00%**

4. Establishment of shareholding platform and transfer of Shares in September 2016

Guangzhou Chuangtao Investment Partnership (Limited Partnership) (廣州市創韜投資合夥企業(有限合夥)), currently known as Huai'an Chuangtao Enterprise Management Partnership (Limited Partnership) (淮安市創韜企業管理合夥企業(有限合夥)) ("**Huai'an Chuangtao**"), was established by Mr. Song and Mr. Su in April 2016 as their shareholding platform. Mr. Song, as the general partner, and Mr. Su, as the limited partner, hold 66.67% and 33.33% of the partnership interest therein, respectively, reflecting the original relative shareholding interests in our Company between them.

On September 13, 2016, each of Mr. Song and Mr. Su entered into a share transfer agreement with Huai'an Chuangtao, pursuant to which, Mr. Song and Mr. Su agreed to transfer their direct equity interest in our Company to Huai'an Chuangtao for consideration of RMB40,000.00 and RMB20,000.00, respectively.

5. Series A Investments in November 2016

On November 20, 2016, Wonderful Dawn Holdings Limited ("**Wonderful Dawn**") entered into a capital increase agreement with our Company, Mr. Song, Mr. Su and other then Shareholders, pursuant to which, Wonderful Dawn agreed to subscribe for an increased registered capital of RMB19,947.00 for a consideration of RMB25,000,000.00.

Upon the completion of the above investments, the shareholding structure of our Company was as follows:

Name of Shareholder	Registered capital held	Percentage of shareholding
	(RMB)	
Huai'an Chuangtao	60,000.00	60.16%
Wonderful Dawn	19,947.00	20.00%
Mr. Gu Dongsheng	11,250.00	11.28%
Pinxin Yuegu	4,547.65	4.56%
Qingcong Capital	3,989.35	4.00%
Total	**99,734.00**	**100.00%**

Wonderful Dawn is wholly-owned by Best Food Holding Company Limited, a company listed on the Stock Exchange (stock code: 1488), which is invested by Hony Capital, and for further information, see "— The [**REDACTED**] Investments — 4. Information relating to our [**REDACTED**] Investors."

6. Conversion of Capital Reserve in March 2017

Pursuant to the Board's resolution dated March 15, 2017, the then Directors approved the conversion of RMB9,900,266.00 of our capital reserve into our registered capital, and the registered capital held by each Shareholder increased proportionately in accordance with their interest in our Company. Upon completion of the conversion, the registered capital of our Company was increased from RMB99,734.00 to RMB10,000,000.00 and the shareholding percentage of each Shareholder remained unchanged.

7. Capital increase in August 2019

In August 2019, the registered capital of our Company was further increased from RMB10,000,000.00 to RMB10,256,410.00 pursuant to the subscription from Huai'an Yujian Haoren for a consideration of RMB256,410.00. Huai'an Yujian Haoren is an employee incentive platform established in May 2019 for our senior management and core employees, of which Mr. Song is the general partner. For the details of Huai'an Yujian Haoren, see "— Employee Incentive Platform."

8. Series A+ Investments in February 2020

On February 10, 2020, Pinxin Yuegu, Wonderful Dawn and Mr. Gao Defu entered into a capital increase agreement with our Company, Mr. Song, Mr. Su and other then Shareholders, pursuant to which, Pinxin Yuegu, Wonderful Dawn and Mr. Gao Defu agreed to subscribe for increased registered capital of RMB341,880.00, RMB165,631.00 and RMB341,880.00 for consideration of RMB10,000,000.00, RMB4,844,720.00 and RMB10,000,000.00, respectively.

For the background information of Mr. Gao Defu, see "— The [**REDACTED**] Investments — 4. Information relating to our [**REDACTED**] Investors."

Upon the completion of the above investments, the shareholding structure of our Company was as follows:

Name of Shareholder	Registered capital held	Percentage of shareholding
	(RMB)	
Huai'an Chuangtao	6,016,000.00	54.17%
Wonderful Dawn	2,165,631.00	19.50%
Mr. Gu Dongsheng	1,128,000.00	10.16%
Pinxin Yuegu	797,880.00	7.18%
Qingcong Capital	400,000.00	3.60%
Mr. Gao Defu	341,880.00	3.08%
Huai'an Yujian Haoren	256,410.00	2.31%
Total	**11,105,801.00**	**100.00%**

9. Series B Investments in March 2021

On March 2, 2021, Foshan Nanhai Huibi No. 1 Equity Investment Partnership (Limited Partnership) (佛山市南海區匯碧一號股權投資合夥企業(有限合夥)) ("**Huibi No. 1**"), Wonderful Dawn and Mr. Gao Defu entered into a capital increase agreement with our Company, Mr. Song, Mr. Su and other then Shareholders, pursuant to which, Huibi No. 1, Wonderful Dawn and Mr. Gao Defu agreed to subscribe for increased registered capital of RMB487,256.00, RMB119,075.00 and RMB18,798.00 for consideration of RMB30,000,000.00, RMB7,331,349.00 and RMB1,157,372.00, respectively.

Parties also agreed Huai'an Yujian Haoren to further subscribe for additional registered capital of RMB263,507.00 for a consideration of RMB263,507.00.

Huibi No. 1 is a fund ultimately controlled by Country Garden Holdings Company Limited, a company listed on the Stock Exchange (stock code: 2007), and for more information, see "— The [**REDACTED**] Investments — 4. Information relating to our [**REDACTED**] Investors."

Upon the completion of the above investments, the shareholding structure of our Company was as follows:

Name of Shareholder	Registered capital held	Percentage of shareholding
	(RMB)	
Huai'an Chuangtao	6,016,000.00	50.16%
Wonderful Dawn	2,284,706.00	19.05%
Mr. Gu Dongsheng	1,128,000.00	9.40%
Pinxin Yuegu	797,880.00	6.65%
Huai'an Yujian Haoren	519,917.00	4.33%
Huibi No. 1	487,256.00	4.06%
Qingcong Capital	400,000.00	3.33%
Mr. Gao Defu	360,678.00	3.01%
Total	**11,994,437.00**	**100.00%**

10. Series B+ investments in June 2021

On June 28, 2021, Foshan Nanhai Huibi No. 2 Equity Investment Partnership (Limited Partnership) (佛山市南海區匯碧二號股權投資合夥企業(有限合夥)) ("**Huibi No. 2**") and Mr. Gao Defu entered into a capital increase agreement with our Company, Mr. Song, Mr. Su and other then Shareholders, pursuant to which, Huibi No. 2 and Mr. Gao Defu agreed to subscribe for increased registered capital of RMB263,878.00 and RMB8,181.00 for consideration of RMB44,000,000.00 and RMB1,364,119.00, respectively.

Concurrent with the above capital increase, Mr. Gu Dongsheng and Wonderful Dawn also agreed to transfer RMB179,917.00 and RMB179,917.00 of registered capital of our Company to Huibi No. 2 for consideration of RMB30,000,000.00 and RMB30,000,000.00, respectively. The considerations of the above equity transfers were determined after arm's length negotiations between the parties with reference to our Company's valuation of approximately RMB2.0 billion prior to the series B+ investments.

Huibi No. 2 is a fund ultimately controlled by Country Garden Holdings Company Limited, a company listed on the Stock Exchange (stock code: 2007), and for more information, see "— The [**REDACTED**] Investments — 4. Information relating to our [**REDACTED**] Investors."

Upon the completion of the above investments, the shareholding structure of our Company was as follows:

Name of Shareholder	Registered capital held	Percentage of shareholding
	(RMB)	
Huai'an Chuangtao	6,016,000.00	49.04%
Wonderful Dawn	2,104,789.00	17.16%
Mr. Gu Dongsheng	948,083.00	7.73%
Pinxin Yuegu	797,880.00	6.50%
Huibi No. 2	623,712.00	5.08%
Huai'an Yujian Haoren	519,917.00	4.24%
Huibi No. 1	487,256.00	3.97%
Qingcong Capital	400,000.00	3.26%
Mr. Gao Defu	368,859.00	3.01%
Total	**12,266,496.00**	**100.00%**

11. Conversion into a Joint Stock Limited Company in September 2023

On September 7, 2023, our Company was converted from a limited liability company into a joint stock limited company and renamed as Guangzhou Xiao Noodles Catering Management Co., Ltd. (廣州遇見小麵餐飲股份有限公司) with 613,324,800 issued Shares of RMB0.02 each.

Upon the completion of the conversion, the shareholding structure of our Company was as follows:

Name of Shareholder	Number of Shares	Percentage of shareholding
Huai'an Chuangtao	300,800,000	49.04%
Wonderful Dawn	105,239,450	17.16%
Mr. Gu Dongsheng	47,404,150	7.73%
Pinxin Yuegu	39,894,000	6.50%
Huibi No. 2	31,185,600	5.08%
Huai'an Yujian Haoren	25,995,850	4.24%
Huibi No. 1	24,362,800	3.97%
Qingcong Capital	20,000,000	3.26%
Mr. Gao Defu	18,442,950	3.01%
Total	**613,324,800**	**100.00%**

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, the following subsidiaries made a material contribution to our results of operation during the Track Record Period:

Name of major subsidiary	Place of incorporation	Date of incorporation	Ownership as of the Latest Practicable Date	Principal business activities
Shenzhen Yujian Xiaomian Catering Management Co., Ltd. (深圳遇見小麵餐飲管理有限公司)	Chinese mainland	June 2, 2017	100.00%	Catering management
Guangzhou Yujian Xiaomian Catering Service Co., Ltd. (廣州遇見小麵餐飲服務有限公司)	Chinese mainland	September 8, 2021	100.00%	Catering management
Wuhan Yujian Xiaomian Catering Management Co., Ltd. (武漢遇見小麵餐飲管理有限公司)	Chinese mainland	August 24, 2021	100.00%	Catering management
Sichuan Yujian Haowan Information Technology Co., Ltd. (四川遇見好玩信息科技有限公司)	Chinese mainland	July 11, 2023	100.00%	Provision of information technology services
Guangzhou Yujian Haowan Information Technology Service Co., Ltd. (廣州遇見好玩信息科技服務有限公司)	Chinese mainland	March 16, 2020	100.00%	Provision of information technology services
Beijing Yujian Xiaomian Catering Management Co., Ltd. (北京遇見小麵餐飲管理有限公司)	Chinese mainland	September 4, 2019	100.00%	Catering management
Guangzhou Yujian Haowu Supply Chain Management Co., Ltd. (廣州遇見好物供應鏈管理有限公司)	Chinese mainland	March 1, 2019	100.00%	Supply chain management
Huai'an Yujian Haowu Supply Chain Management Co., Ltd. (淮安遇見好物供應鏈管理有限公司)	Chinese mainland	April 25, 2023	100.00%	Supply chain management

All major subsidiaries have been wholly-owned by our Company since their respective inceptions.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We had no major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

[REDACTED] INVESTMENTS

1. Principal Terms of the [REDACTED] Investments

As of the Latest Practicable Date, we have received several rounds of **[REDACTED]** Investments since the incorporation of our Company. The following table summarizes the key terms of the **[REDACTED]** Investments to our Company made by the **[REDACTED]** Investors:

Investment(s)	Date of agreement(s)	Date of full settlement of consideration	Registered capital subscribed for/ transferred	Total amount of consideration	Cost per Share (approximation)(1)	[REDACTED] to the [REDACTED] (approximation)(2)
			(RMB)	*(RMB)*	*(RMB)*	
Angel Investment	September 30, 2014 and March 2, 2015	October 31, 2016	11,250.00	2,000,000.00	0.0355	**[REDACTED]**
Angel+ Investment	March 2, 2015 and April 1, 2015	April 24, 2015	3,750.00	800,000.00	0.0426	**[REDACTED]**
Series Pre-A	February 22, 2016	October 25, 2016	4,787.00	3,000,000.00	0.1250	**[REDACTED]**
Series A	November 20, 2016	December 29, 2016	19,947.00	25,000,000.00	0.2500	**[REDACTED]**
Series A+	February 10, 2020	May 6, 2020	849,391.00	24,844,720.00	0.5850	**[REDACTED]**
Series B	March 2, 2021	May 18, 2021	625,129.00	38,488,721.00	1.2314	**[REDACTED]**
Series B+ (capital increase)	June 28, 2021	July 16, 2021	272,059.00	45,364,119.00	3.3349	**[REDACTED]**
Series B+ (equity transfers)	June 28, 2021	September 26, 2021	359,834.00	60,000,000.00	3.3349	**[REDACTED]**

Basis of determining the consideration paid . . . . Saved as otherwise disclosed in "— Establishment and Major Shareholding Changes of Our Company" above, the consideration for each round of the [**REDACTED**] Investments was determined based on arm's length negotiation amongst the respective parties after taking into consideration of (i) the timing of investments, (ii) the status and prospect of our business at the time of investment, and (iii) the business resources, strategic cooperation opportunities and benefits that the [**REDACTED**] Investors could bring to our Company.

Lock-up period. . . . . Under the applicable PRC Law, all existing Shareholders (including the [**REDACTED**] Investors) are subject to a lock-up period of twelve months following the [**REDACTED**].

Use of proceeds from the [REDACTED] Investments . . . . . Certain [**REDACTED**] Investments were effected by way of transfers by our then Shareholders, and no proceeds were received by our Company. Whereas, other [**REDACTED**] Investments were effected by way of capital increase and proceeds were received by our Company. We utilized the proceeds from [**REDACTED**] Investments involving capital increase for research and development, business expansion, capital expenditures and general working capital of our Group. As of the Latest Practicable Date, the net proceeds received by our Company from the [**REDACTED**] Investments involving capital increase had been fully utilized.

Strategic benefits the [REDACTED] Investments brought to our Company . . . We believed that our Company could benefit from the additional capital provided by the [**REDACTED**] Investors' investments in our Company and the [**REDACTED**] Investors' knowledge and experience. We could take advantage of the [**REDACTED**] Investors' industry resources and networks, while broadening our shareholder base. The series of investments made by the [**REDACTED**] Investors in our Company reflected their consistent confidence in the business of our Group and served as an endorsement of our performance and future prospects.

Notes:

(1) Calculated based on the number of Shares as adjusted after the conversion of the capital reserve of our Company in March 2017 and the conversion to a joint stock company in September 2023.

(2) The [**REDACTED**] to the [**REDACTED**] is calculated based on the currency translation of HK$1.00 to RMB0.92342 and the assumption that the [**REDACTED**] is [**REDACTED**] per H Share (being the mid-point of the indicative [**REDACTED**] range).

2. Special rights of the [REDACTED] Investors

The [**REDACTED**] Investors have been granted certain customary special rights in relation to our Company, including, among others, pre-emptive rights, anti-dilution rights, right of first refusal, co-sale rights, information rights, redemption rights, most-favored treatment rights, veto rights in respect of certain matters at shareholders' meetings and board meetings, rights to nominate directors and board observers (as the case may be), special quorum requirements in board meetings and liquidation rights. Pursuant to the agreement in relation to the [**REDACTED**] Investments, (i) the relevant redemption rights were automatically and unconditionally terminated on the day of the submission of the first [**REDACTED**], provided that such redemption rights shall be automatically reinstated upon the occurrence of either of following events: (a) failing to re-submit the [**REDACTED**] within six months after the withdrawal or rejection of the previous [**REDACTED**]; or (b) failing to consummate a [**REDACTED**] by March 11, 2028; and (ii) all other special rights will be automatically terminated immediately prior to the [**REDACTED**].

3. Compliance with the Guide

On the basis that (i) the consideration for the last [**REDACTED**] Investment was irrevocably settled on a date, which is more than 28 clear days before the date of our first submission of the [**REDACTED**] form to the [**REDACTED**] of the Stock Exchange in relation to the [**REDACTED**], and (ii) all special rights granted to the [**REDACTED**] Investors shall cease to be effective and be discontinued prior to the [**REDACTED**], the Sole Sponsor confirms that the [**REDACTED**] Investments are in compliance with Chapter 4.2 of the Guide.

4. Information relating to our [REDACTED] Investors

Wonderful Dawn

Wonderful Dawn is a wholly-owned subsidiary of Best Food Holding Company Limited ("**Best Food**"), a company listed on the Stock Exchange (stock code: 1488), which principally engaged in food and beverage investment holding. Best Food is a multi-brand food and beverage platform invested by Hony Capital, a leading investment management firm founded in 2003. To the knowledge of our Directors, as of the Latest Practicable Date, Best Food is engaged in the operation of, and investment in, more than 10 food and beverage brands.

Huibi Funds

Huibi No. 1 and Huibi No. 2 are limited partnerships established under PRC Law, principally engaged in equity investment and investment management. The general partner of each of Huibi No. 1 and Huibi No. 2 is Guangzhou Chenghui Equity Investment Management Co., Ltd. (廣州成匯股權投資管理有限責任公司) ("**Guangzhou Chenghui**"), which primarily engaged in equity investment management. To the knowledge of our Directors, as of the Latest Practicable Date, Guangzhou Chenghui was ultimately controlled by Country Garden Holdings Company Limited (a company listed on the Stock Exchange (stock code: 2007), which primarily engaged in real property development) as to 80.00% and the remaining 20.00% interest was held by an Independent Third Party.

As of the Latest Practicable Date, Huibi No. 1 had two limited partners, namely Shenzhen Country Garden Innovation Investment Management Co., Ltd. (深圳市碧桂園創新投資有限公司) ("**Country Garden Innovation Investment**") and Foshan Shunde District Rongyue Enterprise Management Co., Ltd. (佛山市順德區榮躍企業管理有限公司) ("**Rongyue Enterprise Management**"), and each held approximately 49.92% partnership interest therein. The remaining partnership interest was held by the general partner. As of the Latest Practicable Date, Country Garden Innovation Investment was an indirect wholly-owned subsidiary of Country Garden Holdings Company Limited. To the knowledge of our Directors, Rongyue Enterprise Management is an Independent Third Party. The limited partners of Huibi No. 2 were also Country Garden Innovation Investment and Rongyue Enterprise Management, and each held approximately 49.95% partnership interest therein as of the Latest Practicable Date. The remaining partnership interest was held by the general partner.

Mr. Gu Dongsheng

Mr. Gu Dongsheng is an individual investor who specializes in the catering industry and an Independent Third Party.

Pinxin Yuegu

Pinxin Yuegu is a limited company incorporated under the PRC Law, primarily engaged in investment holding. As of the Latest Practicable Date, Pinxin Yuegu was an indirect wholly-owned subsidiary of Jiumaojiu International Holdings Limited, a company listed on the Stock Exchange (stock code: 9922), which principally engaged in the catering industry. Started in Haikou, Jiumaojiu International Holdings Limited is a catering group operating for more than 29 years, with Chinese restaurant chain operation as its core business.

Qingcong Capital

Qingcong Capital is a limited partnership established under PRC Law, principally engaged in equity investment. As of the Latest Practicable Date, Qingcong Capital had seven limited partners and each of them was an Independent Third Party. Among which, Hou Huajun (侯華軍) held approximately 34.65% partnership interest in Qingcong Capital and each of the remaining limited partners held less than 30.00% interest therein. As of the Latest Practicable Date, the general partner of Qingcong Capital was Qingcong Capital Asset Management Co., Ltd. (上海青驄資產管理有限公司), which was owned by Hou Huajun, Zheng Bingmin (鄭炳敏), Luo Jiaqiang (羅甲強) and Yu Jianglin (余江琳) as to 25.00% each, and each of whom was an Independent Third Party.

Mr. Gao Defu

Mr. Gao Defu is an individual investor who is the founder of Dumpling Xi (喜家德水餃) and an Independent Third Party. Dumpling Xi was established in 2002 and to the knowledge of our Directors, as of the Latest Practicable Date, there are more than 800 Dumpling Xi chain stores in the Chinese mainland.

SHAREHOLDING OF OUR COMPANY

The following table sets forth our shareholding structure as of the Latest Practicable Date and immediately upon the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):

	As of the Latest Practicable Date			Immediately after the completion of the [REDACTED]		
Name of Shareholder	**Number of Shares**	**Description of Shares**	**Approximate Ownership Percentage**	**Number of Shares**	**Description of Shares**	**Approximate Ownership Percentage**
Huai'an Chuangtao	300,800,000	Unlisted Shares	49.04%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Wonderful Dawn	105,239,450	Unlisted Shares	17.16%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Mr. Gu Dongsheng	47,404,150	Unlisted Shares	7.73%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Pinxin Yuegu	39,894,000	Unlisted Shares	6.50%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Huibi No. 2	31,185,600	Unlisted Shares	5.08%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Huai'an Yujian Haoren	25,995,850	Unlisted Shares	4.24%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Huibi No. 1	24,362,800	Unlisted Shares	3.97%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Qingcong Capital	20,000,000	Unlisted Shares	3.26%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Mr. Gao Defu	18,442,950	Unlisted Shares	3.01%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Sub-total	**613,324,800**	**Unlisted Shares**	**100.00%**	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Other investors taking part in the [**REDACTED**]	–	–	–	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	**613,324,800**		**100.00%**	[**REDACTED**]		[**REDACTED**]

FULL CIRCULATION

Our Company has applied for H Share full circulation to convert an aggregate of [**REDACTED**] Unlisted Shares held by [**REDACTED**] of the existing Shareholders, representing [**REDACTED**] of the total issued Shares of our Company as of the Latest Practicable Date and approximately [**REDACTED**] of the total issued Shares of our Company upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

PUBLIC FLOAT

Immediately upon completion of the [**REDACTED**] of Unlisted Shares into H Shares and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the Company will have [**REDACTED**] H Shares, among which, the [**REDACTED**] H Shares, representing approximately [**REDACTED**] of our total issued Shares as of the Latest Practicable Date and approximately [**REDACTED**] of our total issued Shares upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised), will not be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules, as such H Shares are held by Huai'an Chuangtao, Wonderful Dawn and Huai'an Yujian Haoren, the core connected persons of our Company.

To the best of our Directors' knowledge, information and belief and having made all reasonable inquiries, save as disclosed above, upon the completion of the [**REDACTED**] and the [**REDACTED**] of Unlisted Shares into H Shares, [**REDACTED**] H Shares to be held by our Shareholders who are not our core connected persons, representing approximately [**REDACTED**] of our total issued Shares upon the completion of the [**REDACTED**] (assuming the [**REDACTED**] is exercised), will be counted towards the public float. Together with [**REDACTED**] H Shares to be [**REDACTED**] pursuant to the [**REDACTED**], approximately [**REDACTED**] (which exceeds [**REDACTED**]) of our total issued Shares (assuming the [**REDACTED**] is not exercised) will be counted towards the public float.

EMPLOYEE INCENTIVE PLATFORM

In recognition of the contributions of our employees, Huai'an Yujian Haoren was established in the Chinese mainland as our Company's employee incentive platform. The general partner of Huai'an Yujian Haoren is Mr. Song. As of the Latest Practicable Date, Mr. Song, our executive Director, held 43.02%(1) partnership interest in Huai'an Yujian Haoren and the partnership interests held by the limited partners represent the vested and exercised awards of grantees. Mr. Xu Zhi, our chief financial officer and vice president, who resigned as a Director on April 1, 2025, held 3.94% partnership interest therein. Mr. Peng Yue, our supervisor, held 9.62% partnership interest in Huai'an Yujian Haoren. Mr. Li Bin (李彬), executive director and manager of multiple subsidiaries of our Company, held 0.30% partnership interest in Huai'an Yujian Haoren. Mr. Pan Rujun (潘儒俊), our human resource manager, who resigned as a Director on April 1, 2025, held 0.24% partnership interest therein. Save as disclosed above, the remaining approximately 42.88% partnership interests in Huai'an Yujian Haoren were held by eight current and former employees and all of which were Independent Third Parties. For the details of the [**REDACTED**] Employee Incentive Scheme, see "Appendix VI Statutory and General Information — D. [**REDACTED**] Employee Incentive Scheme".

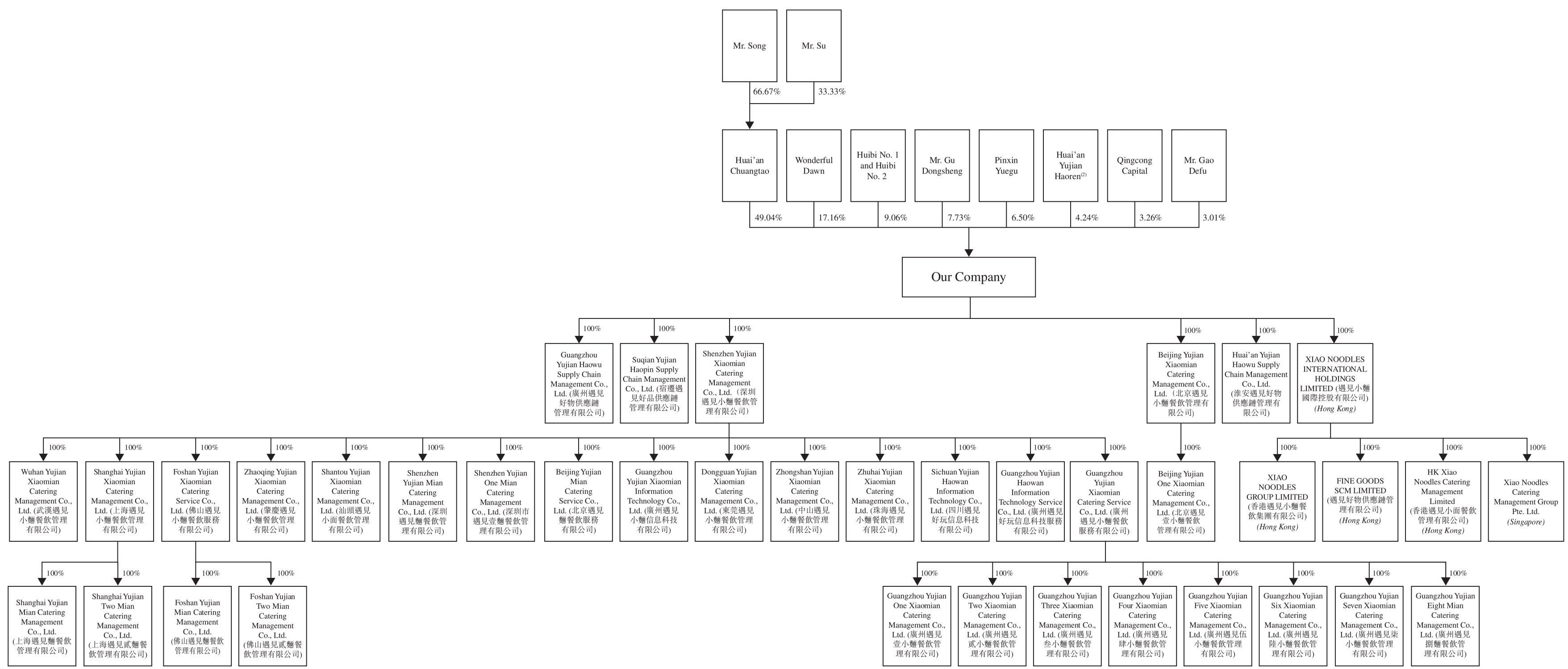
Note:

(1) As of the Latest Practicable Date, 42.81% of the partnership interest held by Mr. Song represented 11,128,475 underlying Shares granted to 59 grantees (including certain connected persons of our Company) under the [**REDACTED**] Employee Incentive Scheme, which had not yet vested and beneficially owned by relevant grantees. The remaining 0.21% of the partnership interest, representing 54,250 underlying Shares, was beneficially owned by Mr. Song. For further details of the [**REDACTED**] Employee Incentive Scheme and information of the grantees, see "Appendix VI Statutory and General Information — D. [**REDACTED**] Employee Incentive Scheme".

CORPORATE STRUCTURE

Corporate structure immediately prior to the completion of the [REDACTED]

The following chart sets forth our shareholding structure immediately prior to the completion of the [**REDACTED**]:



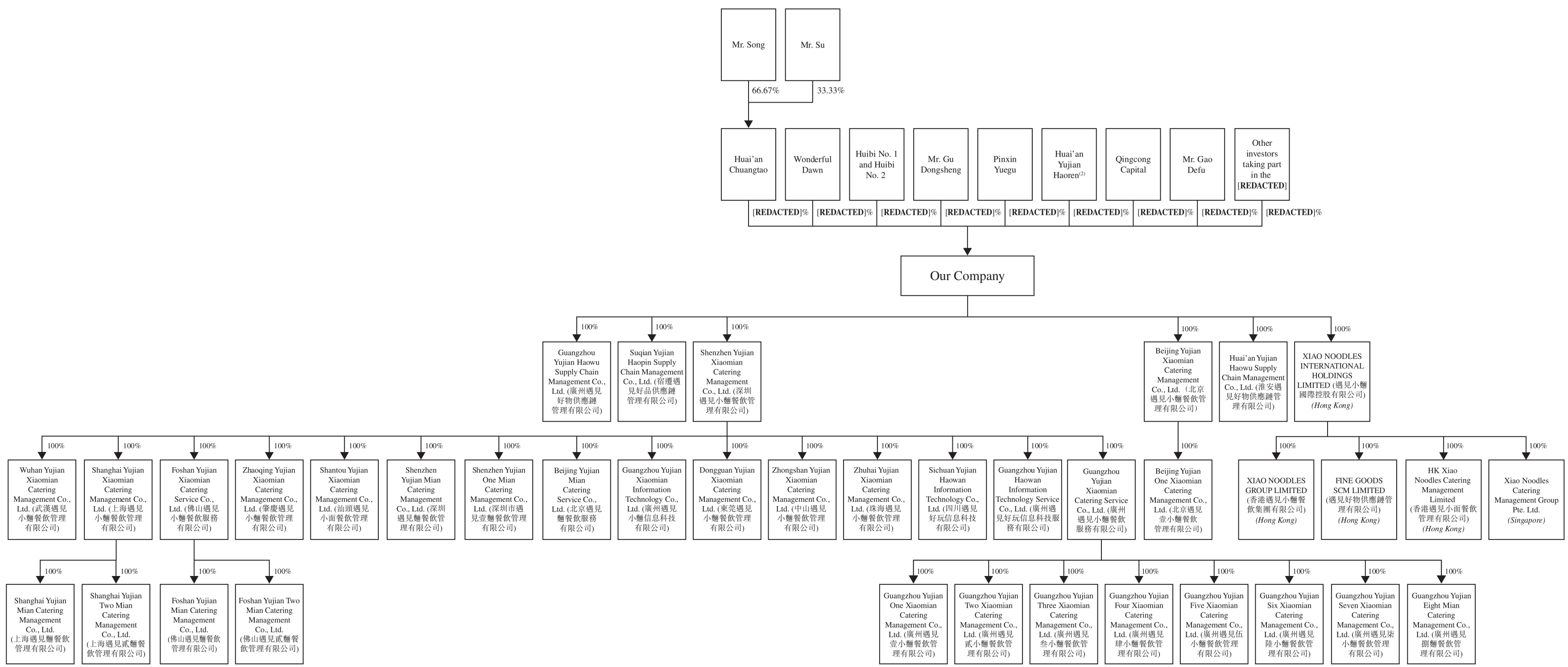
Notes:

(1) The Company and each of our subsidiaries were established in the Chinese mainland unless otherwise indicated.

(2) Huai'an Yujian Haoren is the employee incentive platform. See "— Employee Incentive Platform" for details.

Corporate structure immediately following the completion of the [REDACTED]

The following chart sets forth our shareholding structure immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):



Note: See the notes to " — Corporate Structure — Corporate structure immediately prior to the completion of the [**REDACTED**]."

PRC REGULATIONS

REGULATIONS ON CORPORATION

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law (《中華人民共和國公司法》) (the "**PRC Company Law**"), which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013, October 2018 and December 2023, respectively. The latest amendment is effective since July 2024. According to the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies and companies limited by shares.

General

A "joint stock limited company" is an incorporated enterprise in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties and with its registered capital divided into shares of equal par value. The liability of the company for its debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Shareholders' Meetings

According to the PRC Company Law, a shareholders' meeting for a company limited by shares is constituted by all shareholders, functioning as the company's authoritative body.

A shareholders' meeting is required to be held once every year. An extraordinary meeting is required to be held within two months in case of certain events specified in the PRC Company Law.

Shareholders present at a shareholders' meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

Resolutions of the shareholders' meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, except matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting.

The shareholders may appoint the entrusted representative to attend a shareholders' meeting; the entrusted representative shall submit a power of attorney to the company and exercise the voting rights within the scope of authorization.

Transfer of Shares

Share transfers are permissible under the PRC Company Law, either on a stock exchange or through other methods as required by the State Council. Registered shares may be transferred following shareholder endorsement or by methods specified in laws and regulations. After transfer, the company updates its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies.

Certain restrictions apply to share transfers: promoters' shares and shares issued before public issuance may not be transferred within one year of the company's establishment or listing on a stock exchange, respectively. Directors, supervisors and senior management must declare their shareholdings and may transfer up to 25% annually during their terms, with additional restrictions outlined in the PRC Company law. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and senior management.

REGULATIONS ON FOREIGN INVESTMENT

Investment in the PRC by foreign investors is mainly regulated by the Catalogue of Industries for Encouraging Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄》(2022年版)), which was promulgated by the Ministry of Commerce of the PRC (the "**MOFCOM**") and the National Development and Reform Commission (the "**NDRC**") on October 26, 2022 and took effect on January 1, 2023, and the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 Edition) 《(外商投資准入特別管理措施(負面清單)》(2024年版)) (the "**Negative List**"), which were promulgated by the MOFCOM and the NDRC on September 6, 2024 and took effect on November 1, 2024. The Negative List establishes standardized restrictive measures, including stipulations on shareholding percentages and management criteria, for foreign investments in industries explicitly listed as restricted or prohibited. Industries not included in the Negative List are subject to the principle of equal treatment for both domestic and foreign investments.

On March 15, 2019, the National People's Congress (the "**NPC**") promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**FIL**"), which came into effect on January 1, 2020, pursuant to which, it is applicable to the investment activities in the PRC carried out directly or indirectly by foreign natural persons, enterprises or other organizations. The Implementation Rules to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which were promulgated by the State Council on December 26, 2019, and became effective on January 1, 2020, the state actively encourages and supports foreign investment, ensuring the protection of the lawful rights and interests of foreign investors. The administration of foreign investment is regulated to create an environment conducive to foreign investors. Continuous efforts are made to optimize the foreign investment environment, promoting a more open and inviting landscape for foreign participation at an elevated level.

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation (the "**SAMR**") jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020, pursuant to which, in the event that a foreign investor engages in investment activities in the PRC, either directly or indirectly, the market regulatory authorities are required to transmit the investment information provided by the foreign investor or the foreign-invested enterprise to the relevant competent commerce administrative authorities.

REGULATIONS ON FOOD SAFETY AND LICENSING REQUIREMENTS FOR CATERING SERVICES

The Food Safety Law and Implementation Rules

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》), which was promulgated on February 28, 2009 and amended on April 24, 2015 and December 29, 2018 and April 29, 2021, respectively, food producers and traders must be liable for the safety of the food produced or traded by them and shall produce and trade food in accordance with relevant laws, regulations and food safety standards. Food producers and traders must ensure food safety, act in good faith and be self-disciplined, be accountable to society and the public, accept public supervision, and comply with their social responsibilities.

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, respectively. The Implementation Rules, which came into effect on December 1, 2019, introduced extra regulatory measures such as conducting random supervisory checks, improving the food safety violation reporting reward system, and establishing a blacklist system for food producers and business operators with serious food safety violations and a joint punishment mechanism against discreditable acts. The Implementation Rules state that food producers and operators have primary responsibility for food safety, detail the responsibilities of principals of enterprises, standardize food storage and transportation 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 safety of the public, the PRC has set up a system for supervision, monitoring and appraisal of 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 of food circulation services and consumer food services must 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 safety administration under the State Council shall exercise supervision and administration over food production and trading activities according to the duties defined by the Food Safety Law and the State Council itself. The health administrative department under the State Council shall organize the implementation of risk monitoring and risk assessment of food safety according to the duties defined by the Food Safety Law and the State Council, 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 Food Safety Law and the State Council.

As penalties for violation, the Food Safety Law sets out 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.

Food Operation Licensing System

Pursuant to the Food Safety Law, the State implements a licensing system for food production and trading. A person who engages in food production, food selling or catering services must obtain a license in accordance with the law.

On June 15, 2023 the State Administration for Market Regulation promulgated the Administrative Measures for Food Operation Licensing and Record-filing (《食品經營許可和備案管理辦法》), and came into effect on December 1, 2023. According to the Administrative Measures for Food Operation Licensing and Record-filing, a food operation license must be obtained in accordance with the law to engage in food selling and catering services within the territory of the PRC. A food operator shall obtain a food operation license or make record-filing to engage in food operation activities at one operation site. Applications for food operation licensing shall be filed according to food operators' types of operation and operation items classification. Types of operation of food operators are divided into food sales operators, catering service operators and canteens of concentrated meal service providers. Food operation items are divided into three categories, namely food sales, catering services and food operation management.

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 market regulatory 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 market regulatory authority which originally issued the license within the period from 90 working days to 15 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 market regulatory authorities at or above the county level according to Article 122 of the Food Safety Law. Where there is any change to the type of operation, operation item or other licensing matters indicated in a food operation license, and the food operator fails to apply for the alteration as required, the local market regulatory authority at or above the county level shall punish it according to Article 122 of the Food Safety Law.

Online Catering Services

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, which was amended on October 23, 2020, online catering service providers must have their own physical stores and must have obtained food business licenses according to the law, and shall carry out business activities pursuant to the business forms and business items specified on their own food business licenses, and must not do business beyond their business scope. A catering service provider that runs its own website must file the record with the administration for market regulation at its locality at county level, within 30 working days of filing 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 December 6, 2024, 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 PRC) 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.

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.

Food Recall System

China Food and Drug Administration (now merged into the State Administration for Market Regulation) promulgated the Administrative Measures for Food Recall (the "**Administrative Measures for Recall**", 《食品召回管理辦法》) on March 11, 2015, which became effective on September 1, 2015 and amended on October 23, 2020. According to the Administrative Measures for Recall, where food operators find that the food involved thereby is unsafe, they must immediately suspend the operations, inform relevant food producers and operators of the suspension of production and operation, recommend consumers stop eating, and take necessary measures to prevent and control food safety risks. Food producers knowing that any food produced and traded thereby is unsafe must voluntarily recall such food. Food producers and operators must faithfully record the name, trademark, specification, production date, batch number, quantity and other contents of unsafe food subject to the suspension of production and operation, recall and disposal. Records must be kept for at least two years. Where food operators violate the Food Safety Law and the Administrative Measures for Food Recall and do not immediately suspend operation or voluntarily recall unsafe food, follow the prescribed time limit to activate recall procedures, recall unsafe food products in accordance with the recall plan or dispose of unsafe food products, the food and drug administrative authorities shall issue warnings to them and impose fines between RMB10,000 and RMB30,000 on them.

Regulations Relating to Single-Purpose Commercial Pre-Paid Cards

The Administrative Measures for Single-purpose Commercial Prepaid Cards (for Trial Implementation) (《單用途商業預付卡管理辦法(試行)》) was promulgated by the Ministry of Commerce on September 21, 2012 and amended on August 18, 2016. Single-purpose commercial pre-paid cards refer to pre-paid certificates that are issued by an enterprise engaged in retail, accommodation, catering, and residential services, and which are exclusively used to pay for goods or services within the group to which the enterprise belongs to or within the franchise system of one brand. This includes but not limited to physical cards in the form of magnetic stripe cards, chip cards paper coupons, and virtual cards in the form of passwords string codes, graphics and biometric information. In accordance with relevant provisions of the said Measures, Card issuers shall file with the competent commerce department at the location of industrial and commercial registration for record, within 30 days of starting to offer single-purpose card services. If any card-issuing enterprise fails to comply with the provisions of the said Measures, the competent commerce department of the people's government above the county-level in the locality where such violation occurs shall order it to make rectifications. Where the enterprise fails to do so within the said time limit, the enterprise shall be subject to a fine of more than RMB10,000 and less than RMB30,000.

REGULATIONS ON FOOD ADVERTISEMENT

According to the Advertising Law of the PRC (the "**Advertising Law**", 《中華人民共和國廣告法》) promulgated by the SCNPC on October 27, 1994 and most recently revised on April 29, 2021, no advertisement shall contain any false or misleading information, and shall not deceive or mislead consumers. Any advertiser, advertising agent or advertisement publisher shall, when engaging in advertising activities, comply with laws and administrative regulations, act in good faith, and conduct fair competition. In any advertisement, where there are statements regarding the performance, function, place of origin, purpose, quality, ingredients, price, producer, valid period and guarantees of the product, or the content, provider, form, quality, price and guarantees of the service, such statements shall be accurate, clear and explicit.

REGULATIONS ON CONSUMER RIGHTS AND BENEFITS

The principal legal provisions for the protection of consumer interests are set out in the PRC Consumer Rights and Interests Protection Law (the "**Consumer Protection Law**",《中華人民共和國消費者權益保護法》), which was promulgated on October 31, 1993, and came into effect on January 1, 1994, and was subsequently amended in 2009 and 2013. Pursuant to the Consumer Protection Law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage, and term of validity of the commodities. Failure to comply with the Consumer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacing or repairing the commodities, mitigating the damages, compensation, and restoring the reputation, and subject the business operators or the responsible individuals to criminal penalties if business operators commit crimes by infringing the legitimate rights and interests of consumers. According to the Consumer Protection Law, where operators knowingly provide consumers with defective commodities or services causing death or serious damage to the health of consumers or other victims, the victims may require operators to compensate them for losses in accordance with the Consumer Protection Law and other relevant provisions, and claim punitive compensation of not more than two times the amount of losses incurred. The Food Safety Law also provides the amount of punitive compensation that the operators knowingly provide food failing to meet the food safety standards shall paid the victims, which is ten times the price paid or three times the loss unless the amount of the additional compensation is less than RMB1,000 where the punitive compensation shall be RMB1,000.

REGULATIONS ON COMMERCIAL FRANCHISING

Pursuant to the Regulations on the Administration of Commercial Franchising (《商業特許經營管理條例》), or the Franchising Regulations, which promulgated by the State Council on February 6, 2007, and became effective on May 1, 2007, commercial franchising refers to the business activities where a franchisor, being an enterprise possessing registered trademarks, corporate logos, patents, proprietary technology, or other business resources, licenses through contracts its business resources to the franchisees, being other business operators, and the franchisees carry out business operation under a uniform business model and pay franchising fees to the franchisor pursuant to the contracts. The Franchising Regulations requires that any enterprise engaging in trans-provincial franchise business shall register with the **MOFCOM**, and any enterprise engaging in franchise business within one province shall register with the provincial counterpart of the MOFCOM. The Franchising Regulations also set forth a number of requirements for the franchisors and to govern the franchise agreements. For example, the franchisors and franchisees are required to enter into franchising agreements containing certain required terms, and the franchise term thereunder shall be no less than three years unless otherwise agreed by the franchisee.

On December 12, 2011, the MOFCOM promulgated the Administrative Measures for the Filing of Commercial Franchisees (《商業特許經營備案管理辦法》), which became effective on February 1, 2012, was most recently amended on December 29, 2023, and sets forth in detail the procedures and documents required for such filing, including, among other things, within 15 days after executing the first franchise agreement, the franchisor shall file with the MOFCOM or its local counterparts for record, and if there occurs any change to the franchisor's business registration, business resources, and the distribution of all franchisee outlets throughout China, the franchisor shall apply to the MOFCOM for alteration within 30 days after the occurrence of such change. Furthermore, within the first quarter of each year, the franchisor shall report the execution, revocation, termination, and renewal of the franchise agreements occurring in the previous year to the MOFCOM or its local counterparts, the failure of which may subject the franchisor to an order of rectification and a fine up to RMB50,000.

Pursuant to the Administrative Measures on the Information Disclosure of Commercial Franchising (《商業特許經營信息披露管理辦法》), promulgated by the MOFCOM on April 30, 2007, amended on February 23, 2012 and effective on April 1, 2012, the franchisor shall disclose to franchisees a list of information in writing at least 30 days prior to the execution of the franchising agreements, such as basic information of the franchisor and the franchise activities, basic information of business resources owned by the franchisor and basic information on franchise expenses.

REGULATIONS ON REAL ESTATE LEASING

According to the PRC Civil Code (《中華人民共和國民法典》) which became effective on January 1, 2021, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee's possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from the execution of the property lease agreement with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do so, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

REGULATIONS ON PRICING

According to the Pricing Law of the PRC (《中華人民共和國價格法》), which was promulgated by SCNPC on December 29, 1997 and took effect on May 1, 1998, business operators must, as required by the government departments in charge of pricing, mark the prices explicitly and indicate the name, production origin, specifications, and other related particulars clearly. Business operators may not sell products at a premium or charge any fees that are not explicitly indicated. Business operators must not commit the specified unlawful pricing activities, such as colluding with others to manipulate the market price, providing fraudulent discounted price information, using false or misleading prices to deceive customers to transact, or conducting price discrimination against other business operators. Failure to comply with the Pricing Law or other rules or regulations on pricing may subject business operators to administrative sanctions such as warning, orders to cease unlawful activities, payment of compensation to customers, confiscation of illegal gains, and/or fines. The business operators may be ordered to suspend business for rectification, or have their business licenses revoked if the circumstances are severe.

REGULATIONS ON E-COMMERCE

The E-commerce Law of the PRC (《中華人民共和國電子商務法》), enacted by the SCNPC on August 31, 2018, and implemented from January 1, 2019, establishes fundamental guidelines for e-commerce operators engaged in commercial activities. According to this legislation, ecommerce operators are obligated to uphold principles of voluntariness, equality, fairness, and good faith in their business dealings. They are further mandated to comply with legal provisions and business ethics, participate equitably in market competition, fulfill responsibilities pertaining to consumer rights protection, environmental preservation, intellectual property safeguarding, network security, and personal information confidentiality. E-commerce operators are also held accountable for the quality of their products and services.

In instances where e-commerce operators fail to meet their contractual obligations, breach agreed-upon terms, or cause harm to others, they are liable for civil consequences as stipulated by the Law. Moreover, e-commerce entities conducting business activities without obtaining required administrative permits, offering goods or services prohibited by laws or administrative regulations, or neglecting their obligations to provide necessary information, may incur penalties imposed by the market supervision and management authorities, in accordance with pertinent laws and administrative regulations. The E-commerce Law emphasizes the importance of ethical conduct and legal compliance in the realm of electronic commerce, aiming to ensure integrity, fairness, and accountability within the digital marketplace.

REGULATIONS ON CYBER SECURITY AND PRIVACY PROTECTION

Cyber Security

The Cyber Security Law of the PRC (the "**Cyber Security Law**", 《中華人民共和國網絡安全法》) was promulgated by the SCNPC on November 7, 2016 and came into effect on June 1, 2017. The Cyber Security Law applies to network construction, operation, maintenance and use of the network as well as to the supervision and administration of cyber security within PRC territory.

According to the Cyber Security Law, network operators, while carrying out business and service activities, must abide by laws and administrative regulations, show respect for social moralities, follow business ethics, act in good faith, comply with cyber security protection obligations, accept supervision by the government and society and comply with their social responsibilities. For the construction and operation of a network or the provision of services through a network, in accordance with the provisions of laws administrative regulations and mandatory national standards, technical and other necessary measures are required to ensure the secure and stable operation of the network, effectively respond to cyber security incidents, prevent crimes committed on the network, and to maintain the integrity, confidentiality and availability of cyber data.

Network operators must keep users' personal information that they have collected strictly confidential, and establish and improve their system for the protection of users' information. To collect and use personal information, network operators must follow the principles of legitimacy, integrity and necessity, disclose their rules of data collection and use, clearly express the purpose, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered. Network operators must adopt technical and other necessary measures to ensure the security of the personal information they have collected and to prevent such information from being divulged, damaged or lost. If personal information has been or may be divulged, damaged or lost, it is necessary to take immediate remedial measures and inform users promptly according and report the same to the relevant competent departments. Network operators who do not comply with the Cyber Security Law may be subject to fines, suspension of their businesses, shutdown of their websites, and revocation of their business licenses.

On July 30, 2021, the State Council promulgated the Regulations for Safe Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the "**Safe Protection Regulations**") which came into effect on September 1, 2021. Pursuant to the Safe Protection Regulations, critical information infrastructure refers to important network infrastructure and information system in public telecommunications, information services, energy sources, transportation and other critical industries and domains, in which any destruction or data leakage will have severe impact on national security, the nation's welfare, the people's living and public interests.

According to the Cybersecurity Review Measures (2021) (《網絡安全審查辦法(2021)》) promulgated by the Cyberspace Administration of China on December 28, 2021 and effective on February 15, 2022, critical information infrastructure operators who purchase network products and services that affect or may affect national security shall report to the cybersecurity review office for a cybersecurity review. Online platform operators possessing personal information of more than 1 million users must report to the cybersecurity review office for a cybersecurity review before going public abroad. According to the Administration Regulations on Cyber Data Security (《網絡數據安全管理條例》) promulgated by the State Council of China on September 24, 2024 and came into effect on January 1, 2025, where network data handlers carry out network data processing activities that affect or may affect national security, they shall undergo a national security review in accordance with relevant national regulations.

Personal Information Protection

Pursuant to the PRC Civil Code (《中華人民共和國民法典》), personal information of a natural person shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide, or make public personal information of others.

Further, the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》), which issued by the SCNPC on August 29, 2015, and became effective on November 1, 2015, stipulates that any network service provider that fails to fulfill the obligations related to information network security management as required by applicable laws and administrative regulations and refuses to take corrective measures, will be subject to criminal liability for causing (1) any large-scale dissemination of illegal information; (2) any severe effect due to the leakage of users' information; (3) any serious loss of evidence of criminal activities; or (4) other severe situations, and any individual or entity that (i) sells or provides personal information to others unlawfully or (ii) steals or illegally obtains any personal information will be subject to criminal liability in severe situations.

The Data Security Law of the PRC (《中華人民共和國數據安全法》), which was promulgated by the SCNPC on June 10, 2021 and took effect on September 1, 2021, provides that China shall establish a data classification and grading protection system, formulate the important data catalogs to enhance the protection of important data and establish national core data management system to provide stricter protection of national core data. The conduct of data processing activities shall be in compliance with the provisions of laws and regulations, establishing and completing a data security management system for the entire workflow, organizing and conducting data security education and training, adopting corresponding technical measures and other necessary measures to ensure data security, strengthening risk monitoring, taking immediately disposition measures and promptly reporting to relevant authorities when data security incidents occur. Besides, data collection by any organization or individual shall be conducted by lawful and proper means and the data shall not be acquired by theft or other illegal means. Processors of important data shall specify the person responsible for data security and management agencies, implement data security protection responsibilities, periodically conduct risk assessments of such data processing activities as provided and submit risk assessment reports to the relevant authorities.

On 20 August 2021, the SCNPC promulgated the Law of Personal Information Protection of PRC (the "**Personal Information Protection Law**",《中華人民共和國個人信息保護法》), which became effective on November 1, 2021. Pursuant to the Personal Information Protection Law, the processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, deletion, etc. of personal information, and before processing personal information, personal information processors should truthfully, accurately and completely inform individuals of the following matters in a conspicuous manner and in clear and easy-to-understand language: (1) the name and contact information of the personal information processor; (2) purpose of processing personal information, processing method, type of personal information processed, and retention period; (3) methods and procedures for individuals to exercise their rights under the Personal Information Protection Law; and (4) other matters that should be notified as required by laws and administrative regulations. Personal information processors should also take the following measures to ensure that personal information processing activities comply with laws and administrative regulations based on the processing purpose, processing methods, types of personal information, impact on personal rights and interests, and possible security risks, etc., and to prevent unauthorized access and personal information leakage, tampering, and loss: (i) formulating internal management systems and operating procedures; (ii) implementing classified management of personal information; (iii) adopting corresponding security technical measures such as encryption and de-identification; (iv) reasonably determining the operating authority for personal information processing, and regularly conduct safety education and training for practitioners; (v) formulating and organizing the implementation of emergency plans for personal information security incidents; and (vi) other measures stipulated by laws and administrative regulations.

Where personal information is processed in violation of the provisions of the Personal Information Protection Law, or the processing of personal information fails to fulfill the personal information protection obligations hereunder, the department performing personal information protection duties shall order corrections, give warnings, confiscate illegal gains, and order to suspend or terminate the provision of services by the applications that illegally process personal information; if the personal information processor refuses to make corrections, a fine of not more than RMB1 million shall be imposed; the directly responsible person in charge and other directly responsible personnel shall be fined not less than RMB10,000 but not more than RMB100,000. For any aforesaid illegal act with serious circumstances, the department performing personal information protection duties at or above the provincial level shall order the personal information processor to make corrections, confiscate the illegal gains, and impose a fine of less than RMB50 million or less than 5% of the previous year's turnover. It can also order the suspension of relevant business or suspend business for rectification, notify the relevant competent authority to revoke the relevant permits or the business licence; impose a fine of RMB100,000 up to RMB1 million on the directly responsible person in charge and other directly responsible personnel, and may decide to prohibit them from serving as a director, supervisor, senior manager and person in charge of personal information protection of related companies within a certain period of time.

REGULATIONS ON FIRE PREVENTION

According to the Fire Prevention Law of the PRC (the "Fire Prevention Law", 《中華人民共和國消防法》) promulgated by the NPC on April 29, 1998 and amended on October 28, 2008, April 23, 2019 and April 29, 2021, respectively, and the Interim Provisions on Design Inspection and Acceptance of Fire Protection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on April 1, 2020 and amended on August 21, 2023 and came into effect on October 30, 2023, the competent housing and urban-rural development authority replaced fire prevention and rescue departments to monitor and administer the fire protection as-built acceptance check and filing. Upon completion of construction of a development project which is required to apply for fire safety inspection and acceptance as stipulated by the housing and urban-rural development authority, the developer shall apply to the housing and urban-rural development authority for fire safety inspection and acceptance. For other development projects, the developer shall complete filing formalities with the housing and urban-rural development authority following the inspection and acceptance, the housing and urban-rural development department shall conduct spot check. Pursuant to the Fire Prevention Law, the construction project that fails to complete as-built acceptance check on fire prevention shall be ordered by the relevant government authorities to close and shall be fined not less than RMB30,000 but not more than RMB300,000. The construction project that fails to complete fire safety filing shall be ordered to rectify and be subject to a fine of up to RMB5,000.

Furthermore, pursuant to the Fire Prevention Law (revised in 2019 and 2021), before the use of or commencement of the business operations in public gathering places, any construction entities or entities using such places must apply for a fire safety inspection with the fire rescue agencies of the local people's governments of such places at or above the county level. Putting a public gathering place into use or into business operation without permission and when the place has not undergone fire safety and protection inspections or has failed to meet fire safety and protection requirements shall result in an order to suspend construction, use, production or business operations and a fine of not less than RMB30,000 and not more than RMB300,000 from the competent departments of housing and urban-rural development and the relevant fire rescue agencies (according to their respective duties).

REGULATIONS ON FOREIGN TRADE AND CUSTOMS LAW

Foreign Trade

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), or the Foreign Trade Law, promulgated by the SCNPC on May 12, 1994 and amended on December 30, 2022, since December 30, 2022, no registration of foreign trade operators is required. The PRC government allows the free import and export of goods and technologies, unless otherwise provided by laws and administrative regulations. Before December 30, 2022, pursuant to the pre-amendment Foreign Trade Law, a foreign trade operator who is engaged in the import and export of goods or technologies shall process the filing and registration with the foreign trade authority under the State Council or its entrusted agencies, unless otherwise provided by the laws, administrative regulations and requirements of the foreign trade authority under the State Council. Where a foreign trade operator fails to do so, Customs shall not handle the formalities for declaration and clearance of the goods imported or exported by the operator.

Customs Law

According to the Customs Law of the PRC (《中華人民共和國海關法》), adopted by the SCNPC on January 22, 1987, most recently amended on April 29, 2021 and effective on the same date, the Customs of the People's Republic of China is the entry and exit customs supervision and administration authority of PRC. According to the relevant laws and administrative regulations, the Customs supervises the transportation vehicles, goods, luggage, postal articles and other articles entering and leaving the country, collects customs duties and other taxes and fees, prevents and counters smuggling, compiles customs statistics and handles other customs operations.

According to the Regulations of PRC Customs on Administration of Recordation of Declaration Entities (《中華人民共和國海關報關單位備案管理規定》), adopted by the General Administration of Customs on November 19, 2021 and effective on January 1, 2022, customs declaration entities refer to the consignees and consignors of import and export goods and customs declaration enterprises recorded with the customs. If the consignees and consignors of import and export goods and customs declaration enterprises apply for recordation, they shall obtain the qualification of market entities; among them, if the consignees and consignors of import and export goods apply for recordation, they shall also obtain the recordation of the foreign trade operators. The recordation of the customs declaration entities is valid for a long period of time, while the temporary recordation is valid for one year, after the expiry reapplication of recordation can be made.

LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

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 shall be made for any such construction project and construction projects which have not carried out environmental impact assessment shall not commence construction. 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. Installations for the prevention and control of pollution shall not be dismantled or left idle without authorization.

The Environmental Protection Law makes it clear that the liabilities for any violation of said law include, fine, rectification within a time limit, compulsory ceasing of operations, compulsory shutout or closedown, restitution, or even criminal punishment.

Environment Impact Assessment

Pursuant to Law of the PRC on Environment Impact Assessment (《中華人民共和國環境影響評價法》), which was issued on October 28, 2002 and amended on July 2, 2016 and December 29, 2018, the State implements a classification-based management on the environmental impact assessment (the "**EIA**") of construction projects according to the impact of the construction projects on the environment. Construction units shall prepare the Environmental Impact Report (the "**EIR**") or the Environmental Impact Statement (the "**EIS**") or fill out the Environmental Impact Registration Form (the "**EIRF**") (hereinafter collectively referred to as the "**EIA documents**") according to the following rules: (i) For projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) For projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of their environmental impacts; and (iii) For projects with very small environmental impacts so that an EIA is not required, an EIRF shall be filled out. 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. However, according to the Catalog for the Classified Administration of the Environmental Impact Assessment of Construction Projects (2021) (《建設項目環境影響評價分類管理名錄(2021年版)》), construction projects with regard to the catering industry are no longer required to submit the EIA documents.

REGULATIONS ON LABOUR RIGHTS

Labor Law and Labor Contracts Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on July 5, 1994 and amended on August 27, 2009 and December 29, 2018, enterprises shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, and conduct employee training on labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with statutory standards. Enterprises and institutions shall provide employees with a safe workplace and sanitation conditions which are in compliance with applicable laws and regulations of labor protection. The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated on June 29, 2007 and amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated on September 18, 2008, set out specific provisions in relation to the execution, terms and termination of a labor contract and the rights and obligations of the employees and employers, respectively. At the time of hiring, the employers shall truthfully inform the employees of the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employees request to be informed about.

Law on Work Safety

Pursuant to the Law on Work Safety of the PRC (the "**Law on Work Safety**",《中華人民共和國安全生產法》) effective on November 1, 2002 and amended on August 27, 2009, August 31, 2014 and June 10, 2021 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 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.

Regulations and Law on Social Insurance and Housing Fund

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010, became effective on July 1, 2011 and most recently amended on December 29, 2018, and the Interim Regulations on the Collection of Social Insurance Fees (《社會保險費徵繳暫行條例》) issued by the State Council on January 22, 1999 and most recently amended on March 24, 2019, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. Pursuant to the Notice of the General Office of the State Council on Issuing the Plan for the Pilot Program of Combined Implementation of Maternity

Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於印發<生育保險和職工基本醫療保險合併實施試點方案>的通知》) and the Opinions of the General Office of the State Council on Comprehensively Promoting the Implementation of the Combination of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》) promulgated on January 19, 2017 and March 6, 2019, maternity insurance and basic medical insurance for employees shall be consolidated. According to the Social Insurance Law of PRC, employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the competent administrative department.

Pursuant to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) which was promulgated on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing provident fund payment and deposit registration in the housing provident fund administrative center. For enterprises which violate the above laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative center shall order the relevant enterprises to make corrections within a designated period. Those enterprises failing to process registration provident fund accounts for their employees within designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When enterprises violate those provisions and fail to pay the housing provident fund in full amount as due, the housing provident fund administrative center will order such enterprises to pay up the amount within a prescribed period; if those enterprises still fail to comply with the regulations upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for mandatory enforcement.

REGULATIONS 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 National Intellectual Property Administration (the "**NIPA**") handles trademark registrations and grants a term often years to registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. The trademark registrant may, by concluding a trademark licensing contract, authorize other persons to use the registered trademark. The licensor shall supervise the quality of the goods for which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the goods for which the registered trademark is used. The party authorized to use another's registered trademark must indicate the name of the licensee and the place of origin on the goods that bear the registered trademark. When granting others use of the registered trademarks, the licensor shall file the trademark license with the Trademark Office for their records, and the Office shall announce the same. Without putting the trademark license on record, the trademark may not be used to defend a bona fide third party.

The Patent Law

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) latest amended by the SCNPC on October 17, 2020 and came into effect on June 1, 2021 and the Implementation Rules of The Patent Law of the PRC (《中華人民共和國專利法實施細則》) amended by the State Council on January 9, 2010 and last amended on December 11, 2023 and came into effect on January 20, 2024, patents in China are divided into invention patent, utility patent and design patent. Invention patent refers to new technical solutions for a product, method or its improvement; utility patent refers to new technical solutions for the shape, structure or the combination of both shape and structure of a product, which is applicable for practical use; design patent refers to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the color, the shape and pattern of a product with esthetic feeling and industrial application value. Invention patent shall be valid for 20 years from the date of application while utility patent shall be valid for 10 years and design patent shall be valid for 15 years from the date of application. The patent right entitled to its owner shall be protected by the laws. Any person shall be licensed or authorized by the patent owner before using such patent. Otherwise, the use constitutes an infringement of the patent right.

The Patent Law of the PRC has been amended by the SCNPC on October 17, 2020 and came into effect on June 1, 2021. Compared with the valid Patent Law which was amended on December 27, 2008 and come into effect on October 1, 2009, the main changes of the Patent Law of the PRC (revised in 2020) are concentrated on the following aspects: (1) clarifying the incentive mechanism for inventor or designer relating to service inventions; (2) extending the duration of design patent; (3) establishing a new system of "open licensing" (開放許可); (4) improving the distribution of burden of proof in patent infringement cases; and (5) increasing the compensation for patent infringement.

Domain Names

The Measures for the Administration of Internet Domain Names (the "**Domain Name Measures**", 《互聯網域名管理辦法》) was promulgated by the Ministry of Industry and Information Technology of the PRC on August 24, 2017 and came into effect on November 1, 2017. The Implementation Rules for National Top-level Domain Name Registration (the "**Implementation Rules for Registration**",《國家頂級域名註冊實施細則》) was promulgated by the China Internet Network Information Center on June 18, 2019 and came into effect on the same date. The Domain Name Measures regulate the registration of domain names. Application for registration of national top-level domain names ".CN" and ".China" and provision of national top-level domain name registration related services shall further comply with the Implementation Rules for Registration.

The Copyright

The PRC has enacted various laws and regulations relating to copyright protection. The Copyright Law of the PRC (《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 the SCNPC, amended on November 11, 2020 and became effective from June 1, 2021 by the SCNPC provides that PRC citizens, legal persons, or other organizations, 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 copyright infringement is subject to civil liability.

The Regulations on Computer 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 residents, 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 it with the software registration institution recognized by the copyright administration department of the State Council. The Measures for the Registration of Computer 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 registration of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The Copyright Protection Center of China (the "**CPCC**") is the designated software registration authority. The CPCC grants registration certificates to computer software copyright applicants which conform to the provisions of both the Regulations on Computer Software Protection and the Measures for the Registration of Computer Software Copyright.

The PRC is also a signatory to some major international conventions on the 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, a qualified foreign copyright owner may enjoy certain copyright in China and a copyright owner in China may also acquire specific foreign copyright protection.

REGULATIONS ON OVERSEAS SECURITIES OFFERING AND LISTING

On February 17, 2023, the China Securities Regulatory Commission (the "**CSRC**") promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five ancillary interpretive guidelines (collectively, the "**Overseas Listing Trial Measures**"), which came into effect on March 31, 2023.

Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either directly or indirectly, are required to fulfill the filing procedure with the CSRC and report the relevant information through filing reports and legal opinions. The Overseas Listing Trial Measures provides that an overseas listing or offering is explicitly prohibited, if any of the following: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as scrutinized and determined in accordance with law by competent authorities under the State Council; (iii) the domestic company intending to make the securities offering and listing, or the controlling shareholder(s) and the actual controller of such company, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

The Overseas Listing Trial Measures also provides that the overseas securities offering and listing will be deemed as an indirect overseas offering by PRC domestic companies if (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year are accounted for by PRC domestic companies; and (ii) the issuer's principal business activities are conducted in the PRC, or its principal place(s) of business are located in the PRC, or the senior executives responsible for its business operations and management are mostly Chinese citizens or persons domiciled in the PRC. Where an issuer submits an application for offering or listing to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted to the overseas regulators. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on any material events, such as change of control, investigation or punishment taken by overseas securities regulatory authorities or other competent authorities, change of listing status or listing plate, or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

If domestic companies fail to fulfill the above-mentioned filing procedures or offer and list in an overseas market against the prohibited circumstances, they would be ordered to rectify, warned, and fined between RMB1 million and RMB10 million. The directly liable personnel would be warned and fined between RMB0.5 million and RMB5 million. The controlling shareholders and actual controllers of such domestic companies that organize or instruct the aforementioned violations would be warned and fined between RMB1 million and RMB10 million. The directly liable personnel would be fined between RMB0.5 million and RMB5 million. The securities companies and securities service providers failing to supervise the domestic companies for compliance of relevant rules would be warned and fined between RMB0.5 million and RMB5 million. The directly liable personnel would be warned and fined between RMB0.2 million and RMB2 million. Also, if there is any false records, misleading statement or any material omission in the filing documents, the domestic companies would be ordered to rectify, warned, and fined between RMB1 million and RMB10 million. The directly liable personnel would be imposed warnings and fined between RMB0.5 million and RMB5 million. The controlling shareholders and actual controllers of such domestic companies who organize or instruct the aforementioned violations or conceal the relevant matters leading to the occurrence of the aforementioned violations would be warned and fined between RMB1 million and RMB10 million. The directly liable personnel would be fined between RMB0.5 million and RMB5 million. The securities companies or securities service providers who fail to act with due diligence, make false records, misleading statements or material omissions in the documents produced and issued domestically, or in the documents produced and issued overseas which led to disruption of the domestic market order and infringement on the lawful rights and interests of domestic investors, would be, amongst others, fined up to 10 times of the service fees or between RMB0.5 million and RMB5 million if there are no service fees or the service fees are less than RMB0.5 million. The directly liable personnel would be warned and fined between RMB0.2 million and RMB2 million.

REGULATIONS ON DIVIDEND DISTRIBUTION

The principal regulations governing the distribution of dividends of foreign-invested enterprises include the PRC Company Law, the Foreign Investment Law and the Implementing Regulation for the Foreign Investment Law of the PRC. Under these laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated after-tax profits, if any, determined following PRC accounting standards and regulations. In addition, foreign-invested enterprises in China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year. Wholly foreign-owned companies may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

REGULATIONS ON FOREIGN EXCHANGE

Pursuant to the Foreign Exchange Administrative Regulations of the PRC (《中華人民共和國外匯管理條例》), as amended in August 5, 2008, the RMB is freely convertible for current account items, including for 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 (the "**SAFE**") is obtained and prior registration with SAFE is made.

According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**Circular 13**"), which was promulgated on February 13, 2015 and with effect from June 1, 2015 partially abolished on December 30, 2019, enterprises are not required to get foreign exchange registration approval under domestic direct investment or overseas direct investment. Domestic investors (including domestic foreign- invested enterprises, domestic investing entities of foreign enterprises) should carry out foreign exchange registration of direct investment with banks.

According to the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**") promulgated on March 30, 2015 and effective on June 1, 2015 partially abolished on December 30, 2019 and amended on March 23, 2023 and the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement under Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**Circular 16**") promulgated and effective on June 9, 2016 and amended on December 4, 2023, domestic enterprises (including Chinese-funded enterprises and foreign-invested enterprises, excluding financial institutions) may go through foreign exchange settlement formalities for their foreign debts at their discretion. Where the current regulations contain any restrictive provisions on the foreign exchange settlement of foreign exchange receipts under capital accounts of domestic institutions, such provisions shall prevail. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the above proportion in due time according to the balance of payments. While being eligible for discretionary settlement of foreign exchange receipts under capital accounts, domestic institutions may also opt to use their foreign exchange receipts according to the payment-based settlement system. A bank shall, in handling each transaction of foreign exchange settlement for a domestic institution according to the principle of payment-based settlement, review the authenticity and compliance of the use of the funds settled in the previous transaction (including discretionary settlement and payment-based settlement) of such institution.

The Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) (the "**Circular 28**") was promulgated and became effective on October 23, 2019 and amended on December 4, 2023. According to the Circular 28, non-investment foreign-funded enterprises are allowed to lawfully make domestic equity investments using their capital if the domestic investment projects are in compliance with the prevailing special administrative measures for access of foreign investments and the relevant regulations.

REGULATIONS ON 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》), 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 lately amended on December 6, 2024, the income tax rate for both domestic and foreign-invested enterprises is 25%. Furthermore, resident enterprises, which are enterprises that are set up in accordance with PRC law, or that are set up in accordance with the law of a foreign country (region) but with their actual administration institution in the PRC, must 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 their income originating from the PRC and obtained by their institutions or establishments, and their income incurred outside the PRC but where there is an actual relationship with the institutions or establishments set up by such enterprises. Non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but where there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they must pay enterprise income tax in relation to the income originating from the PRC at the rate of 10%.

Value-added Tax

Pursuant to the Value-added Tax of the PRC (《中華人民共和國增值稅法》) promulgated by SCNPC on December 25, 2024 and will become effective from January 1, 2026 and 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 (the "**VAT**"). 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, December 25, 2017 and March 20, 2019 respectively, upon approval of the State Council, as of May 1, 2016, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner, and all taxpayers of business taxpayers 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.

Pursuant to the Provisional Regulations on Value-added Tax of the PRC, the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax, the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) promulgated by Ministry of Finance and State Administration of Taxation on April 4, 2018 and became effective on May 1, 2018, and the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) promulgated by the Ministry of Finance, the State Administration of Taxation and General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, with respect to VAT taxable sales of a VAT general taxpayer, the applicable VAT rates are 13%, 9% and 6% respectively.

REGULATIONS RELATED TO THE "FULL CIRCULATION" OF H SHARE

"Full circulation" refers to the process of listing and trading on the Stock Exchange the domestically unlisted shares of an H-share listed company. This includes unlisted domestic shares owned by domestic shareholders before the overseas listing, unlisted domestic shares issued additionally after the overseas listing, as well as unlisted shares held by foreign shareholders.

On November 14, 2019, the CSRC announced the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請"全流通"業務指引》) ("**Guidelines for the 'Full Circulation**'"), which were amended on August 10, 2023. As outlined in the Guidelines for "Full Circulation," shareholders of domestic unlisted shares have the flexibility to jointly determine the amount and proportion of shares that will be included in the circulation application. This determination should be reached through mutual consultation, ensuring compliance with relevant laws, regulations and policies governing state-owned asset administration, foreign investment and industry regulation. Subsequently, the H-share listed company corresponding to these shares may be authorized to file for "full circulation" with the CSRC. An unlisted domestic joint stock company may file with the CSRC for "full circulation" at the time of its initial public offering and listing overseas. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China. Pursuant to the Overseas Listing Measures, which came into effect on March 31, 2023, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC. Additionally, they are required to authorize the domestic company to submit the conversion application to the CSRC on their behalf.

On December 31, 2019, China Securities Depository and Clearing Corporation Limited (the "**CSDC**") and Shenzhen Stock Exchange (the "**SZSE**") jointly announced the Measures for Implementation of H-share "Full Circulation" Business (《H股"全流通"業務實施細則》) (the "**Measures for Implementation**"). The operations related to the "full circulation" of H-share, including cross-border conversion registration, deposit and holding details maintenance, transaction entrustment, instruction transmission, settlement, management of settlement participants and services of nominal holders, are regulated by the Measures for Implementation. In cases where the Measures for Implementation do not provide specific guidance, procedures shall be followed by referring to other business rules established by the CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited, as well as the SZSE.

OVERVIEW

We are a leading and fast-growing modern Chinese noodle restaurants operator in China. We operate the *Xiao Noodles* (遇見小麵) brand in the Chinese mainland and Hong Kong SAR. Our restaurant network encompassed 374 restaurants across 22 cities in the Chinese mainland and six restaurants in Hong Kong SAR as of the Latest Practicable Date. Leveraging our strong growth momentum, we had 64 new restaurants in pre-opening preparation as of the Latest Practicable Date. According to Frost & Sullivan, we were the largest Sichuan-Chongqing style noodle restaurants operator and the fourth largest Chinese noodle restaurants operator in China in terms of GMV in 2024. We have also achieved the highest CAGR of GMV from 2022 to 2024 among 2024's top ten Chinese noodle restaurants operators in China.

Our Origin

In 2014, our young and well-educated founding team, Mr. Song, Mr. Su and Ms. Luo, discovered their passion, Chongqing noodles, in the prime of their youth and established their first single-location noodle house on Tiyu East Street in Guangzhou, embarking on their entrepreneurial journey. We embraced that goal wholeheartedly, pursuing it with relentless determination and a commitment to excellence. This is the origin of our brand "*Xiao Noodles*". Our founding team, Mr. Song, Mr. Su and Ms. Luo, graduated from South China University of Technology, a tertiary science and engineering institution in Guangzhou. Mr. Song and Ms. Luo also obtained master's degrees from the Hong Kong University of Science and Technology. Under the leadership of our founding team, in particular, Mr. Song, our founder, who had practical experience in international fast food chain, we have developed a business model with high degree of standardization, streamlined systemization and advanced intelligent digitalization, which forms the cornerstone of our success, seamlessly integrating the traditional appeal of the Chinese noodle houses with modern restaurant management.

Signature dishes (特色菜品)

We began our journey driven by a passion for Chongqing noodles (重慶小麵), a series of spicy flavor staple dishes originated in the mountain city Chongqing. With its unique aroma, it has garnered enduring popularity across the country. According to Frost & Sullivan, we ranked the first among all restaurant chains in China in terms of offline sales volume of Chongqing noodles, noodles with peas and meat sauce (豌雜麵) and hot and sour sweet potato noodles (酸辣粉) from 2022 to 2024 for three consecutive years. Being a Chinese restaurant chain (中式餐飲連鎖品牌) that specializes in Chongqing noodles, we have expanded our offerings to a diverse range of spicy and non-spicy dishes encompassing noodles, rice, snacks and beverages.

Multifaceted Business Operation (多元化經營)

We are dedicated to delivering a value-for-money customer experience that combines delicious flavors, speedy services, courteous staff and spotless cleanliness. Over the past decade, we have built our *Xiao Noodles* restaurants around the multifaceted business operation models of universal appeal (全人群), around-the-clock (全時段) and full-scenario (全場景) with our dual model of corporate-owned and franchising. We cater to diverse customer groups covering the elderly, middle-aged and young adults, and children, suitable for both individual meals and group gatherings. We provide around-the-clock service covering breakfast, lunch, afternoon tea, dinner, and late-night snacks. As of the Latest Practicable Date, we had 47 restaurants operating 24 hours a day. Our restaurants operate across various scenarios including shopping centers, office areas, residential areas, campuses, exhibition centers, scenic spots, and transportation hubs such as airports, railway stations, ports, highway service areas and ports of entry. The growing sophistication of our multifaceted approach drives greater customer traffic and visiting frequency, powering the sustainable growth of our restaurant network.

Systematic Management (體系化管理)

We have developed a management system with high degree of standardization, streamlined systemization and advanced intelligent digitalization, covering the operational aspects of menu offerings development, procurement, supply chain, site selection and restaurant establishment, restaurant operations, training, marketing and quality control. Our centralized headquarters model applies to both corporate-owned and franchised restaurants, streamlining operations, adhering to uniform standards, standardizing brand image, and enhancing operation efficiency. All restaurants, staff, and menu items are connected under our management system. Supported by our advanced and proprietary digital infrastructure, our operation system reduces reliance on individual experience and judgment. We firmly believe that as we scale, only through an aligned system can we secure a disciplined management, ensuring strict adherence to our standards, maintaining consistent dining environments, service standards and food quality — ultimately delivering a high quality and reliable customer experience.

Our comprehensive multifaceted business operation and efficient systematic management are the building blocks for our competitive advantages, enabling successful replication and scalable growth of our restaurants.

The Four Pillars of Our Business Development

The development of *Xiao Noodles* relies on our customers, staff, franchisees and business partners, who collectively form the four pillars of the development of *Xiao Noodles* — symbolized by our brand logo "rhombus-shaped *Xiao Noodles* (小麵菱形)" .

Our Mission and Core Value

Embracing the mindset of "scientific attitude and dedication to achieving excellence in the smallest details (科學的態度和把一件小事做好的精神)", we have been continuously innovating in the path of branding development of Chinese local food and fulfilling our mission: to become the promoter of Sichuan and Chongqing delicacies and bring the authentic experience of Chongqing noodles beyond its hometown (讓更多人不在重慶, 遇見小麵). We cherish every encounter with our guests and serve them with warmth (每次遇見, 都是有溫度的一面).

Our Vision and Path Forward

Our future growth will be driven by the triple-engine approach of expanding into lower-tier cities, exploring overseas markets and scaling franchise model. Going [**REDACTED**] marks a new beginning for *Xiao Noodles*. With the same relentless dedication that has guided us so far, we will continue to create dining experiences that exceed expectations in value. We will learn from the best practices to build an enterprise of modernized Chinese restaurants. We will promote Chinese culinary culture to compete on the global stage and explore new opportunities. We firmly believe that our vision of "sharing the delight of Chongqing noodles across the globe" (中國小麵,全球遇見) will become a reality.

Market Opportunities

Noodles have long been one of the daily main dishes in the Chinese community. Operating in the Chinese noodle restaurants segment, our restaurants strive to fulfill the strong consumer demand for quick and convenient dining experience with the enduring appeal of noodle dishes. According to Frost & Sullivan, the prosperity of Chinese noodle restaurants in China has been fueled by the accelerating urbanization process, rising disposable incomes and the popularity of digital ordering and takeaway platforms. As consumer preferences continue to evolve, Chinese noodle restaurants are expected to achieve sustained growth through menu innovation and improved operational efficiency.

According to Frost & Sullivan, the total GMV of the Chinese noodle restaurant market in China had expanded from RMB183.3 billion in 2020 to RMB296.2 billion in 2024, at a CAGR of 12.7%. Looking forward, the growth of the Chinese noodle restaurant market is expected to accelerate further to reach the total GMV of RMB510.0 billion by 2029, at a CAGR of 10.9% from 2025 to 2029, based on further urbanization, increase in disposable income and increase in the proportion of consumers dining out in China. Within the Chinese noodle restaurant market, the total GMV of market of Chinese noodle restaurants specializing in Sichuan and Chongqing-style in China had expanded from RMB45.0 billion in 2020 to RMB72.7 billion in 2024, at a CAGR of 12.8%, and is expected to reach the total GMV of RMB135.7 billion by 2029, at a CAGR of 13.2% from 2025 to 2029, which is the highest among the markets of Chinese noodle restaurants for different types of regional cuisine in China. We have achieved the highest CAGR of GMV from 2022 to 2024 among 2024's top ten Chinese noodle restaurants operators in China in terms of GMV.

Results of Operations

Our success is evidenced by our strong financial track record. During the Track Record Period, we had managed to sustain expansion of our restaurant number and achieved rapid growth of our financial performance. From the beginning of the Track Record Period to the Latest Practicable Date, the number of our restaurants had grown by 185.7% from 133 to 380 restaurants. In 2022, 2023 and 2024, we recorded a revenue of RMB418.1 million, RMB800.5 million and RMB1,154.4 million, respectively, representing a CAGR of 66.2% over the Track Record Period. During the same periods, we turned our loss of RMB36.0 million in 2022 into profit of RMB45.9 million and RMB60.7 million in 2023 and 2024, respectively. In addition, as a result of our successful operation, we recorded net cash generated from operating activities of RMB104.8 million, RMB245.1 million and RMB313.5 million in 2022, 2023 and 2024, respectively. We also generally recorded steady growth in the number and performance results of our restaurants during the Track Record Period. In 2022, 2023 and 2024, our seat turnover rate was 3.1, 3.8 and 3.7, respectively. In 2022 and 2023, we had 96 same stores and our same store sales were RMB381.8 million and RMB491.3 million with same store seat turnover rate of 3.1 and 3.8, respectively; in 2023 and 2024, we had 145 same stores and our same store sales were RMB740.4 million and RMB709.0 million with same store seat turnover rate of 3.9 and 4.1, respectively.

Restaurant Network Expansion

Driven by our highly standardized operation system, innovative digitalization initiatives, and constant menu optimization, our restaurant network have achieved significant growth during the Track Record Period. Our total number of restaurants increased from 170 as of December 31, 2022 to 360 as of December 31, 2024, representing a CAGR of 45.5%. Among which, the number of our corporate-owned restaurants and franchised restaurants increased from 111 and 59 as of December 31, 2022 to 279 and 81 as of December 31, 2024, respectively. During the Track Record Period, we primarily focused on establishing our market presence in first-tier cities in the Chinese mainland. We took advantage of our brand reputation in these cities and opened new restaurants in locations with high pedestrian traffic, such as transportation hubs, shopping centers, office areas and residential areas. During the Track Record Period, as part of our effort to understand the market conditions and customer preferences in new markets, a total of 45 and three restaurants were opened in tier two and lower tier cities in the Chinese mainland and Hong Kong SAR, respectively. We expect such effort will serve as a foundation for our future expansion in these new markets.

In 2024, 120 new corporate-owned and franchised restaurants were opened. We plan to open approximately 120 to 150, 150 to 180 and 170 to 200 new restaurants in 2025, 2026 and 2027, respectively, in China and overseas. As of the Latest Practicable Date, leveraging our strong growth momentum, we had 64 new restaurants in pre-opening preparation. We plan to increase our market share by further elevating our market presence in the existing markets, expanding our business into new markets, and gradually increasing the proportion of our franchised restaurants.

Management System

Our successful management system is built upon the following three features:

- *High degree of standardization (高度標準化)*. We believe standardization management is one of the building blocks for us to ensure brand consistency, operational efficiency, and customer satisfaction across different markets and regions. We provide customers with consistent dining experience in terms of flavor, portion size, food quality and serving time along with a comfortable and hygienic dining environment across our *Xiao Noodles* restaurants, whether corporate-owned or franchised.

- *Streamlined systematization (高效體系化)*. We adopt the modern scientific approach as our management principle. In view of the rapidly growing Chinese noodle restaurants industry and ever-changing customer demands, we value fast and continuous learning capability, which allows us to adapt and stay competitive in the market. Based on years of experience in restaurant operations and our continuous fine-tuning efforts, we have formulated a comprehensive set of systems for every critical aspect in the management of a restaurant chain. For example, we have developed a unified performance evaluation mechanism, the "horse-racing" mechanism, across our restaurants to objectively evaluate the performance of each restaurant. Our evaluation mechanism quantifies critical metrics in the operation of our restaurants such as customer service, shift scheduling, dish management, personnel management, food safety, financial management and inventory management.

- *Advanced intelligent digitalization (先進數智化)*. We are committed to digitalizing our restaurants, establishing an all-encompassing technological infrastructure, and exploring the application scenarios of AI and other advanced technologies in restaurant operation and management. Our holistic applications of AI technologies in quality control, dining environment management, customer feedback analysis and sales estimation enable us to enhance our operational efficiency, reduce costs, improve the overall dining experience of our customers and expedite the replication of our existing success to more restaurants. Utilizing the transaction data collected from our digitalized ordering and membership systems, we can implement tailored marketing initiatives targeted at specific groups of customers such as distributing coupons and displaying advertisements.

COMPETITIVE STRENGTHS

Leading and fast-growing modern Chinese noodle restaurants operator, favorably positioned to capture future market opportunities

We are a well-known modern Chinese noodle restaurants operator in China. According to Frost & Sullivan, we were the largest Sichuan-Chongqing style noodle restaurants operator and the fourth largest Chinese noodle restaurants operator in China in terms of GMV in 2024. We have also achieved the highest CAGR of GMV from 2022 to 2024 among 2024's top ten Chinese noodle restaurants operators in China in terms of GMV.

According to Frost & Sullivan, the Chinese noodle restaurant market in China reached RMB296.2 billion in GMV in 2024, expanding from RMB183.3 billion in 2020 with a CAGR of 12.7%. Looking forward, based on the accelerated urbanization, rise in disposable income and increase in proportion of consumers dining out in China, the growth of the Chinese noodle restaurant market is projected to further accelerate, with an anticipated GMV of RMB510.0 billion by 2029 and a projected CAGR of 10.9% from 2025 to 2029. We are well-positioned to capture the market opportunities given our decade of effort in establishing our market presence. In 2014, we set up our first noodle house in Guangzhou. We have since expanded to 374 restaurants across 22 cities in the Chinese mainland and six restaurants in Hong Kong SAR as of the Latest Practicable Date.

With our market leadership in the fast-growing Chinese noodle restaurant market in China, coupled with our market insight and the strong scalability, we believe that we are favorably positioned to capture opportunities in this market and solidify our market position.

Quality menu offerings and value-for-money dining experience catering to the needs of customers through our multifaceted business operation model

We provide quality menu items comprising dishes of Sichuan and Chongqing cuisine that are universally enjoyed by consumers, which include our signature *Chong Qing-style Noodles with Peas and Meat Sauce* (紅碗豌雜麵), *Hot and Sour Sweet Potato Noodles* (金碗酸辣粉) and *Hot and Spicy Wonton Soup* (老麻抄手). Covering *Specialty Noodles* (特色小麵), *Maocai Hotpot* (小鍋冒菜), *Wonton Soup Series* (抄手系列), *Rice Series* (米飯系列), *Skewer Series* (擼串系列), *Specialty Appetizers* (特色小食), desserts and beverages, our diversified menu items form an extensive product matrix. Our menu offerings serve as an optimal choice for consumers' daily meals with a value-for-money dining experience that combines delicious flavors, speedy services, courteous staff and spotless cleanliness. Each of our restaurants typically offers 30 to 40 SKUs. Leveraging the variety and compatibility of Sichuan and Chongqing cuisine, we regularly update our menu to include new menu items and seasonal specialties in order to enhance our customers' dining experience.

Capitalizing on our multifaceted business operation models, we are committed to maintaining the consistency of our menu items in terms of taste, quantity, quality and serving time. In order to cater to the demands of different customers across all spectrum and geographical areas, the dining experience in *Xiao Noodles* restaurants encompasses the following features:

- *Universal appeal* (全人群). Our comprehensive and diverse range of culinary offerings covering both spicy and non-spicy dishes cater to the dining needs of various customer groups. We cater to diverse customer groups covering the elderly, middle-aged and young adults, and children, suitable for both individual meals and group gatherings. Our menus encompass main dishes, snacks, and beverages, featuring a variety of staple items such as noodles, rice, Maocai hotpot and wontons, suitable for individual meals and group dining.

- *Around-the-clock* (全時段). We provide around-the-clock service with corresponding menus to cater to the varied preferences and dining arrangements of our customers. Beyond the typical peak hours for lunch and dinner, customers can enjoy a diverse array of our Sichuan and Chongqing dishes throughout the day, encompassing breakfast, afternoon tea, and late-night snacks. As of the Latest Practicable Date, we had 47 restaurants operating 24 hours a day.

- *Full-scenario* (全場景). Our restaurants are strategically located in shopping centers, office areas, residential areas, campuses, exhibition centers, scenic spots, and transportation hubs such as airports, railway stations, ports, highway service areas, and ports of entry in China, catering to the demands across different dining scenarios.

We are committed to providing a value-for-money dining experience that combines delicious flavors, speedy services, courteous staff and spotless cleanliness. In general, in 2024, we have strategically designed our menu in the Chinese mainland within the unit price range of approximately RMB13 to RMB35 for our main dishes. In 2024, the average price of our main dishes in the Chinese mainland was approximately RMB22. In 2024, the average spending per customer in the Chinese mainland was approximately RMB28. We have adopted a dynamic pricing strategy that aims to stimulate market demand and drive sales volume by offering competitive prices. We strive to increase our operational efficiency and optimize our procurement costs to sustain these competitive prices. We adjust our menu and pricing in accordance with the local conditions and the service scenarios of our restaurants to maintain our competitive advantage. Leveraging our value-for-money pricing strategy, we are well positioned to compete in the Chinese noodle restaurant market, establish market recognition and enhance customer loyalty. In 2024, our stored value member payment rate was approximately 36.5%. In 2024, the repurchase rate of our stored value members reached approximately 44.5%, which was higher than the industry average according to Frost & Sullivan.

Highly standardized operational model with high replicability

We have built a highly standardized and scalable business model, which is subject to continuous fine tuning and proven to be resilient with a solid track record. Our commitment to the refinement of standardization management is instrumental to our success in achieving competitive pricing and continuous restaurant network expansion. We believe standardization management is the building block for us to ensure brand consistency, operational efficiency, and customer satisfaction across different markets and regions. By standardizing our operational processes, we create a replicable business model that supports sustainable growth and smooth expansion. All *Xiao Noodles* restaurants, whether corporate-owned or franchised, operate under a unified set of standard systems:

- *Standardization of menus and preparation process*. In order to achieve consistent cooking operations and taste throughout our restaurants, we have standardized our menus through a structured menu system that utilizes consistent and compatible ingredients, implementing a straightforward and systematic food preparation process. Our headquarters oversee our entire supply chain and implement centralized procurement for all of our restaurants to ensure food safety, quality and cost efficiency.

- *Standardization of customer experience.* We have streamlined the ordering process across our restaurant network and achieved digitalization by encouraging customers to order and pay with their mobile devices. Our restaurant staff mainly provide standardized and easy-to-learn services, such as daily pre-opening routines, customer greetings, table arrangements, delivery of dishes and restaurant hygiene maintenance, according to their specific positions' standard operation and service guidelines.

- *Standardization of trainings.* We have set up an online training system with offline training sessions to provide restaurants personnel with a platform to improve technical, operational and management capabilities through frequent and comprehensive in-house trainings and guiding sessions tailored for each of their positions. We believe that our training mechanism facilitates effective implementation of standardization across all our restaurants.

- *Standardization of performance evaluation mechanism.* We have adopted a unified "horse-racing" mechanism across our restaurants to objectively evaluate the performance of each restaurant. Our evaluation mechanism quantifies critical metrics in the operation of our restaurants such as customer service, shift scheduling, dish management, food safety, financial management and inventory management. We set out rational and controllable evaluation criteria for our restaurants. For example, our system provides daily staffing recommendations to each of the restaurants based on estimation of sales. One of our performance indicators is the restaurants' adherence rate to our system's staffing recommendations. Restaurants with satisfactory performance are rewarded with bonuses. We believe such unified evaluation mechanism fosters healthy competition among our restaurants and enhances the overall operational efficiency.

- *Standardization of restaurant expansion*. We have developed a holistic restaurant expansion planning system and have set up a development and expansion team for restaurant expansion execution. We have full-process control over all standardized steps of restaurant expansion, including restaurant network planning, site selection, commercial negotiations, design and decoration, construction, legal compliance and marketing activities. All these steps are visualized in the expansion planning system. We have also set up a restaurant network planning department that utilizes big data analytics to advise us on different dimensions of site selection for new restaurants. Benefited from our effective expansion planning system, the initial breakeven periods of our corporate-owned restaurants opened during the Track Record Period and in operation as of the Latest Practicable Date were generally within two months of opening.

Leveraging our highly standardized and scalable business model, our restaurant network has achieved significant growth during the Track Record Period. Our total number of restaurants increased from 170 as of December 31, 2022 to 360 as of December 31, 2024, representing a CAGR of 45.5%. In 2022, 2023 and 2024, 43, 92 and 120 new corporate-owned and franchised restaurants were opened, respectively.

Streamlined systematic management of corporate-owned and franchised restaurants

Our success stems from the efficient and systematic management of all *Xiao Noodles* restaurants, including both corporate-owned restaurants and franchised restaurants. We have established a centralized management model in which key business functions, such as marketing, menu development, procurement, supply chain management, personnel and remuneration management, and financial management, are conducted by our headquarters. Based on our brand development strategies, our headquarters formulate unified standards and provide detailed guidelines to our restaurants for the execution of the standards. To ensure brand consistency, all *Xiao Noodles* restaurants, whether corporate-owned or franchised, are required to follow the unified standards and adhere to the headquarters' operational guidelines. We also set out rational and controllable performance evaluation criteria for our restaurants. This model can streamline our operation procedures, standardize our brand image and enhance management efficiency.

Capitalizing on the success of our corporate-owned model, we strive to further expand our market presence through the franchise model under centralized management at our headquarters. We take advantage of the key benefits of the franchise model, including (i) accelerated expansion of our restaurant network and enhanced regional penetration, driving increased market share, and (ii) leveraging the entrepreneurial spirit, local connections and resources of franchisees.

We consider our franchisees as long-term partners. To ensure that every aspect of their restaurant operation is properly managed and optimized for success, we adopt a rigorous franchisee selection process and maintain strong oversight of franchised restaurants. We support our franchisees through the provision of standardized guidelines, methodologies and systemic tools for their restaurant operation. For the purpose of maintaining sustainable business growth and ensuring successful operation of new franchised restaurants, we work closely and continuously with our franchisees to deliver high-quality dishes and dining experiences. Our franchisees are typically responsible for initial capital investment and site selection for the opening of the franchised restaurants, which are then managed uniformly in accordance with our Group's guidelines after opening. The success of our franchise model is proven by the steady growth in the number of our franchised restaurants during the Track Record Period. Except for the jointly operated restaurants which were closed by the first half of 2023, the number of our franchised restaurants that were closed was nil, nil and three in 2022, 2023 and 2024, respectively.

For example, our centralized management system provides tailored recommendations on the ordering of ingredients and staffing schedules for each of the restaurants, which reduces the reliance on the personal experience and judgment of restaurant managers. Managers at individual restaurants are primarily responsible for overseeing the operational conditions of the restaurants, managing the daily workflow of the restaurants, and supervising their respective teams of restaurant staff, who are typically assigned standardized and easy-to-learn tasks, such as daily pre-opening routines, customer greetings, table arrangements, food preparation, delivery of dishes and restaurant hygiene maintenance, according to our operation standards and service guidelines.

We believe our centralized and standardized management not only ensures the quality of our culinary offerings and attracts more customers but also brings more franchisees under our brand, further propelling our growth. As of December 31, 2024, we had 81 franchised restaurants.

Advanced intelligent digitalization supporting restaurant and operations management

We are committed to intelligently digitalizing our restaurants and establishing an all-encompassing technological infrastructure for our restaurant management and overall business operations. We constantly develop new tools and adopt new technologies to accommodate our ever-changing business needs. As of December 31, 2024, a majority of our restaurant operation systems were self-developed by our in-house information technology R&D team, which ensures the coherence and adaptability of the digital systems with our operational needs. Leveraging our technological infrastructure that digitalizes and streamlines the complexity of restaurant operations at both our headquarters and restaurant level, we are able to enhance our operational efficiency, reduce costs, improve the overall dining experience of our customers and expedite the replication of our existing success to more restaurants.

Our proprietary technological infrastructure supports and enhances every aspect of our business operations ranging from front-end ordering of dishes by customers to back-end digital systems for shift scheduling, dish management, procurement, inventory, supply chain, human resource, employee training and evaluation.

- *Digital ordering system*. Our self-developed mobile ordering system allows us to streamline the ordering process and shorten the ordering time for each customer. Customers can order at the tables of our restaurants by scanning the QR code on the table with their mobile devices. Our self-developed system allows a greater degree of customization and faster iteration that could flexibly and seamlessly align with our sales and marketing strategies to deliver an enhanced customer experience. Furthermore, we encourage our customers to use mobile payment and therefore streamline our checkout process. In 2024, approximately 98.5% of the total amount paid by our dine-in customers was settled through mobile payment. As part of our marketing initiatives, customers are also invited to become our members in the digital ordering process, fostering customer loyalty and further promoting our brand. In 2024, our stored value member payment rate was approximately 36.5%. In 2024, the repurchase rate of our stored value members reached approximately 44.5%.

- *Restaurant operations*. We have developed digital systems for the seamless and standardized operations across our restaurants. Our technology and digital systems establish a closed-loop management process that covers every stage from order receipt to dish delivery, including ingredient preparation and cooking processes. These systems manage ingredient shelf life with automatic disposal reminders and guide our restaurant staff in the preparation process through standardized steps while tracking dish delivery times to customers. Our intelligent food preparation system leverages our accumulated experience of food preparation and cooking time to optimize the workflow of our restaurants in real-time in accordance with the in-coming customers' orders.

- *Procurement, inventory and supply chain management*. We have also put in place an efficient and centralized digital supply system developed by the research and development team of our information technology department for collecting supply orders from our restaurants. The system enables our restaurant staff to place orders based on the system's recommendations to ensure that stocks are adequate. In particular, it typically takes our restaurant staff approximately 15 to 30 minutes to finish the ordering process in our system. The system also enables our procurement team to continuously monitor the inventory depletion in our restaurant network, as well as the procurement amount and inventory level of each restaurant, thereby reducing waste.

- *Human resource, employee training and evaluation*. We have developed digital systems for staff recruitment and retention. For example, our self-developed staffing system provides daily staffing recommendations to each of the restaurants based on estimation of sales. Our e-learning and personal development platforms facilitate our internal training process. We also adopt digital performance appraisal systems.

Our self-developed management system collects real-time operational data and performs comprehensive business and financial analysis. Such analysis provides our management with insights into our entire restaurant network, supporting data-driven decision making to optimize our restaurant operations. Our system automatically generates analytics dashboard for headquarters management, tracking key indicators such as sales, discount rate, sales volume and sold-out status of menu offerings in real-time as well as producing daily management profit and loss statement of each restaurant and in-depth sales analysis. This enables us to quickly identify underperforming restaurants and make timely operational adjustments. In addition, the performance indicators used in our digital "horse-racing" mechanism are automatically and periodically generated by our management system with minimal manual processing. This provides accurate "horse-racing" rankings across our restaurant network for our management team to efficiently evaluate and improve the overall performance of our restaurants.

We constantly explore the applications of advanced technologies such as AI to enhance operational efficiency and quality.

- *Quality control management*. We have adopted a comprehensive AI-empowered visual recognition system that enables us to monitor the operation of all of our restaurants in real time. This system allows us to ensure efficient and quality services are provided at our restaurants and make timely adjustments to the restaurant operations as necessary. For example, our AI-empowered visual recognition system can oversee preparation of dishes in our restaurants through network cameras. Our operation system also tracks the inventory and expiration dates of food ingredients at our restaurants and pushes reminders to our restaurant staff.

- *Dining environment*. To optimize the dining environment for our customers and our costs of operation, we have applied IoT and installed sensors in our restaurants to collect real-time data of energy consumption and room temperature, which can be accurately monitored by our headquarters. Our system also automatically generates equipment maintenance reminders to our restaurants.

- *Customer feedback analysis*. Our AI-empowered system collects and collates customer feedback from third-party platforms, performs real-time semantic analysis and extracts relevant data for our menu iteration and optimization, precision marketing initiatives and risk control.

- *Business performance estimation*. Our AI-empowered system collects and organizes business data across multiple dimensions, including online and offline factors as well as the surrounding environment of each restaurant. By leveraging an extensive big data platform and AI models, the system estimates future business performance trends of our restaurants, refining our decisions in respect of ingredients ordering, food preparation and shift scheduling, achieving optimization of our resource allocation.

- *Marketing*. Our marketing department utilizes AI technologies to efficiently prepare and optimize promotional images to be used in our marketing initiatives.

- *Employee training*. Our employees have access to our knowledge bases powered by external AI models, which allow them to acquire relevant work-related knowledge intuitively and easily master the skills required in their respective positions.

Young, well-educated and visionary management team with entrepreneurial spirit and strong shareholder support

We have an experienced management team led by Mr. Song, our founder, chairman of our Board of Directors and chief executive officer, who is primarily responsible for overseeing the business development and directions, planning and executing the overall strategies of our Group, including the expansion plan of our Group in China and overseas, and leading our Board. Mr. Song graduated from South China University of Technology and obtained a master's degree from the Hong Kong University of Science and Technology. With over 14 years of experience in the food and beverage industry, Mr. Song has a solid understanding of the market and experience in formulating development strategies, expanding restaurant network, implementing operation standardization, and uplifting the quality of dishes and services. Prior to founding our Group, Mr. Song had worked in international fast food enterprises where he gained deep insights in chain restaurant operations and accumulated an exceptional comprehension of the Chinese noodle restaurants industry. In 2014, based on extensive market research and in-person studying of the techniques in the preparation of Chongqing noodles at Chongqing, Mr. Song, together with Mr. Su and Ms. Luo, co-founded the *Xiao Noodles* brand in Guangzhou, embracing the mindset of "scientific attitude and dedication to achieving excellence in the smallest details" (科學的態度和把一件小事做好的精神). Under the leadership of Mr. Song, we expanded our restaurant network from 170 as of December 31, 2022 to 360 as of December 31, 2024, representing a CAGR of 45.5%.

We have also assembled a talented senior management team with substantial experience across a broad range of disciplines, including menu innovation, marketing, restaurant operations, supply chain management, restaurant expansion, information technology management, human resource management, business analysis and financial management. Most of our senior management personnel have over 10 years of experience in the catering industries and they are equipped with diverse professional background, on-the-job experience in international restaurant chains and specialized skills in various fields, bringing scientific and modern management principles to our operations. We believe that the extensive industry experience of management team is crucial to the implementation of our business strategies and will help us maintain sustainable growth in the future.

We have been backed by renowned investors who recognize our development strategies and have been instrumental in our development and success. We believe that our shareholders' reputation and brand recognition have contributed and will continue to contribute to our expansion strategy. Renowned investment institutions, Chinese cuisine restaurant brand manager and operator, and individual investors, such as Mr. Gu Dongsheng (顧東生先生), Qingcong Capital (青聰資本), Jiu Mao Jiu (九毛九), Best Food (百福) of Hony Capital (弘毅投資), Mr. Gao Defu (高德福先生) and Country Garden Venture Capital (碧桂園創投), have invested in and supported our business development, provided invaluable guidance for our business expansion strategy and sustainable growth, and have played an important role in boosting our influence in the industry.

DEVELOPMENT STRATEGIES

Strategically expand our corporate-owned and franchised restaurant network to deliver sustainable growth

We plan to open approximately 120 to 150, 150 to 180 and 170 to 200 corporate-owned and franchised new restaurants in 2025, 2026 and 2027, respectively.

Our restaurants are mainly located in CBDs, residential areas and transportation hubs of major cities, such as Guangzhou, Shenzhen, Beijing, Shanghai, Xiamen, Foshan and Wuhan. We will continue to identify suitable sites with significant pedestrian traffic, covering all scenarios such as shopping centers, office areas, residential areas, campuses, exhibition centers, scenic spots, and transportation hubs such as airports, railway stations, ports, highway service areas and ports of entry.

Our expansion strategy mainly consists of the following initiatives:

- *Elevating our market presence in existing higher-tier markets in the Chinese mainland*. We plan to continue to expand our restaurant network in our existing markets in the Chinese mainland, including Guangzhou, Shenzhen, Beijing and Shanghai. According to Frost & Sullivan, the Chinese noodle restaurant market in China is expected to reach the total GMV of RMB510.0 billion by 2029, at a CAGR of 10.9% from 2025 to 2029. We believe that by expanding our restaurant network in our existing markets, we can capture potential business opportunities and enhance our market position.

- *Tapping into lower-tier markets in the Chinese mainland*. Leveraging our success in cities where we have established our market presence and our competitive strengths, we plan to gradually tap into tier two and lower tier cities in the Chinese mainland, which will be new drivers of our business growth in the future. We believe there is huge growth potential for Chinese noodle restaurants in tier two and lower tier cities in the Chinese mainland. According to Frost & Sullivan, the Chinese noodle restaurant market in tier two and lower tier cities in the Chinese mainland is expected to grow at a CAGR of 12.8% from RMB238.6 billion in 2025 to RMB386.1 billion in 2029 in terms of GMV. We will dynamically adjust our targets based on the actual market demands in the future. When we enter a new geographic market, we will initially open a limited number of restaurants to develop insights as to the local customers and operation environment. After we identify the appropriate approach for serving the market, we will open more restaurants to further penetrate the market.

- *Expanding into Hong Kong SAR and overseas markets*. In April 2024, we expanded our restaurant network into Hong Kong SAR, where we had opened six new restaurants as of the Latest Practicable Date. According to Frost & Sullivan, the Chinese QSR market in Hong Kong SAR is expected to reach RMB14.7 billion by 2029, with a CAGR of 7.8% from 2025 to 2029 in terms of GMV.

  We plan to open one to two new corporate-owned restaurants in Singapore by December 31, 2025. According to Frost & Sullivan, the Chinese QSR market in Singapore is expected to reach RMB2.3 billion by 2029, with a CAGR of 12.9% from 2025 to 2029 in terms of GMV.

Continue to invest in technology and intelligent digitalization

We will continue to invest in and upgrade our technology infrastructure to further intelligently digitalize and automate our operations and reduce our costs of labor. We will continuously iterate and fine-tune our self-developed digital systems for the business and financial analyses of our restaurants, procurement, inventory and supply chain management, as well as human resource, employee training and evaluation.

We plan to optimize and consolidate our existing technological infrastructure into a one-stop system, which is expected to further increase our operation efficiency. Leveraging the technological advancement in our current set of digital tools, we plan to interlink digitally each stage of our operational value chain, so as to integrate the front-end restaurant operations and customer feedbacks, the middle-end data processing and centralization, and the back-end supporting functions such as marketing, menu development, supply chain management, financial management, and human resources management, with the ultimate goal of constructing a comprehensive and closed-loop digitalized industry chain system.

In addition to our current use of AI technologies for real-time monitoring of our restaurant operation and analyzing customer feedback, we plan to further adopt AI technologies, IoT systems and big data analytics in the iteration of our existing technology infrastructure to support our growing operation scale, in particular:

- *Quality control management*. We also plan to upgrade the visual recognition technologies of our current AI-empowered visual recognition system and expand its capabilities in the recognition of all menu offerings in our restaurants.

- *Dining environment*. We plan to upgrade the IoT systems in our restaurants to allow our headquarters to oversee the dining environment at our restaurants on a real-time basis, control energy consumption and directly adjust the room temperature of our restaurants.

- *Sales estimation*. Through accumulation and analysis of real-life business and financial data collected in our restaurant operations, we plan to refine our AI-empowered system for more precise estimation of sales of our restaurants, which is expected to increase the accuracy of our restaurants' procurement of ingredients and staffing arrangement.

- *Marketing*. We plan to leverage AI technologies to conduct customer tagging for the prediction of repurchase probability. This will enable differentiated customer engagement strategies, boosting conversion rates by targeting each customer segment with precision.

- *Employee training*. We plan to apply AI technologies to assist and provide support to our employees in the internal training process.

Continuously invest in brand building and strengthen customer loyalty

Our vision is to share the delight of Chongqing noodles across the globe. Dedicated to the development of our single *Xiao Noodles* brand, we have been making efforts to continuously enhance our brand awareness and market presence as well as build up customer loyalty. We are committed to promoting and strengthening our brand through various marketing initiatives, which mainly include:

- enhancing our brand through comprehensive upgrade of our restaurant image. This initiative includes optimizing interior design, standardizing signage, and enhancing the dining environment to create a distinctive and highly recognizable brand identity for the purpose of attracting more customers and driving foot traffic to our restaurants.

- collaborating with local lifestyle platforms and food influencers. We plan to make use of such external sources of traffic and launch online and offline promotional campaigns to attract new customers and enhance our brand reputation.

- forming cross-industry partnerships with well-known brands in various sectors. These collaborations will integrate Sichuan-Chongqing culture into diverse scenarios, expanding our brand's influence across different consumer segments and deepening consumers' understanding of the Sichuan and Chongqing culinary culture that our brand represents.

- further enriching our brand through crafting compelling brand stories and developing merchandise. These initiatives will enrich our brand's cultural depth and strengthen emotional connections with consumers.

- further expanding our membership base. We plan to engage third-party customer data platforms (CDPs) to obtain data-driven insights about consumer trends and preferences. We also plan to attract traffic to our membership system through precision marketing, private domain traffic attraction, promotional discounts, captivating more customers in existing and new geographical markets.

In addition, we will continuously optimize our diversified product portfolio by adapting to the changing needs of our customers, refining our menu and enriching our product matrix as we gain further insights into our customers and market conditions.

It is our strategy to expand into the international markets. Since our brand is new to the international markets, we believe that brand building and new market entry promotion are important for our brand to successfully develop in such markets. As such, we plan to carry out marketing and promotional activities to support our expansion into Singapore, such as organizing public relations activities, establishing social media content and connections, inviting celebrities, food critics and/or key opinion leaders for tasting and other promotional events. Similar activities have been carried out in Hong Kong SAR to enhance our brand image and strengthen our market position in the region.

Enhance operating efficiency through pursuing strategic investments

We intend to strategically invest in enterprises in the upstream food processing industry. In particular, we plan to invest in suppliers of our major ingredients such as meat, noodles and/or condiments. We will primarily look for target companies in the Chinese mainland with (i) established presence in food processing industry and functioning supply chain and (ii) proven track records and experience in processing meat, noodles and/or condiments. We believe such strategic investments can ensure stability and quality in the supply of food ingredients as well as create synergy between our business and the upstream enterprises, which are expected to support our business growth, participate in our continuous menu development process and supply customized ingredients according to our business needs.

As of the Latest Practicable Date, we had not identified any specific investment or acquisition targets.

OUR BUSINESS

We are a leading and fast-growing modern Chinese noodle restaurants operator in China. We operate the *Xiao Noodles* (遇見小麵) brand in the Chinese mainland and Hong Kong SAR. Established in 2014 from a single-location noodle house in Guangzhou, we have since expanded to 374 restaurants across 22 cities in the Chinese mainland and six restaurants in Hong Kong SAR under our dual model of corporate-owned and franchising as of the Latest Practicable Date. During the Track Record Period, we primarily generated our revenue from corporate-owned restaurant operations and franchise management. We also generated revenue from certain other sources, including sales of retail products under our *Xiao Noodles* brand. The following table sets forth the components of our revenue for the periods indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Corporate-owned restaurant operations	336,736	80.5	671,940	83.9	1,001,010	86.7
Franchise management	80,511	19.3	127,694	16.0	152,530	13.2
Others[(1)]	849	0.2	880	0.1	894	0.1
Total	**418,096**	**100.0**	**800,514**	**100.0**	**1,154,434**	**100.0**

Note:

(1) This represents revenue generated from sales of retail products under our *Xiao Noodles* brand on e-commerce platforms.

The *Xiao Noodles* Dining Experience — Manifestation of our Multifaceted Business Operation Models

We are committed to providing dining experience with quality culinary items efficiently at competitive prices, serving as an optimal choice for consumers' daily meals with a value-for-money experience that combines delicious flavors, speedy services, courteous staff and spotless cleanliness. Due to the broad appeal of the *Xiao Noodles* dining experience, customers may opt for our restaurants for a variety of occasions, such as casual daily dining, meals with colleagues, and gatherings with friends and family. In order to cater to the demands of different customers across all spectrum and geographical areas, we adopt multifaceted business operation models and the dining experience in *Xiao Noodles* restaurants encompasses the following features:

- *Universal appeal*. Our comprehensive and diverse range of culinary offerings covering both spicy and non-spicy dishes cater to the dining needs of various customer groups. We cater to diverse customer groups covering the elderly, middle-aged and young adults, and children, suitable for both individual meals and group gatherings. Our menus encompass main courses, snacks, and beverages, featuring a variety of staple items such as noodles, rice, Maocai hotpot and wontons, suitable for individual meals and group dining.

- *Around-the-clock*. We provide around-the-clock service with corresponding menus to cater to the varied preferences and dining arrangements of our customers. Beyond the typical peak hours for lunch and dinner, customers can enjoy our Sichuan and Chongqing dishes throughout the day, encompassing breakfast, afternoon tea, and late-night snacks. As of the Latest Practicable Date, we had 47 restaurants operating 24 hours a day.

- *Full-scenario*. Our restaurants are strategically located in shopping centers, office areas, residential areas, campuses, exhibition centers, scenic spots, and transportation hubs such as airports, railway stations, ports, highway service areas and ports of entry in China, catering to the demands across different dining scenarios. Set forth below are samples of our restaurants located in different scenarios.

Shopping mall

Airport

Campus

Scenic spot

Residential area

Office

Cuisine and Menu

We strive to offer our customers a wide selection of menu items with both spicy and non-spicy offerings catering to the needs of a wide range of customers. We provide quality menu items comprising dishes of Sichuan and Chongqing cuisine that are universally enjoyed by consumers across various cultures, which include our signature *Chong Qing-style Noodles with Peas and Meat Sauce* (紅碗豌雜麵), *Hot and Sour Sweet Potato Noodles* (金碗酸辣粉) and *Hot and Spicy Wonton Soup* (老麻抄手). Covering *Specialty Noodles* (特色小麵), *Maocai Hotpot* (小鍋冒菜), *Wonton Soup Series* (抄手系列), *Rice Series* (米飯系列), *Skewer Series* (擼串系列), *Specialty Appetizers* (特色小食), desserts and beverages, our diversified menu items form an extensive product matrix. Typically, each of our restaurants offers approximately 30 to 40 SKUs. Set forth below are pictures and information with respect to some of our popular menu items.

Chong Qing-style Noodles with Peas and Meat Sauce
(紅碗豌雜麵)

Freshly mixed condiments with secret chili oil, crispy peanuts, tender mashed peas and sesame peanut butter sauce, ensuring each bite is full of flavor.

According to Frost & Sullivan, we ranked the first among all restaurant chains in China in terms of offline sales volume of Chongqing noodles from 2022 to 2024 for three consecutive years.

Hot and Sour Sweet Potato Noodles
(金碗酸辣粉)

Sweet potato noodles with both tender and firm textures, served with a large spoonful of meat sauce, golden beans and pickled vegetables, delivering a satiating experience at great value.

According to Frost & Sullivan, we ranked the first among all restaurant chains in China in terms of offline sales volume of hot and sour sweet potato noodles from 2022 to 2024 for three consecutive years.

Hot and Spicy Wonton Soup
(老麻抄手)

Filling with a balanced ratio of selected fat and lean pork, with aromatic scallions, served with bone broth and secret chili oil, fresh aroma and numbing tingles awakening the taste buds with energizing effects.

Braised Beef Maocai Hotpot
(醬香滷牛肉小鍋冒菜)

Selected braised beef tendon with rich fragrance, served with sweet potato noodles, layered tofu sheets, enoki mushrooms, fish tofu, braised dried tofu and green vegetables. Simmered in the broth for two minutes, this dish delivers delicious and deep flavors.

Angus Beef Maocai Hotpot
(安格斯肥牛小鍋冒菜)

Selected braised Australian Angus beef with rich fragrance, served with sweet potato noodles, layered tofu sheets, enoki mushrooms, fish tofu, braised dried tofu and green vegetables. Simmered in the broth for two minutes, this dish delivers delicious and deep flavors.

Wonton Soup (non-spicy)
(骨湯抄手)

Filling with a balanced ratio of selected fat and lean pork, simmered in a deeply rich bone broth with a fresh and savory aroma.

Beef and Lamb Skewer
(牛羊肉串)

Selected Inner Mongolian premium beef and lamb, with tender and succulent texture and a balanced fat distribution. Each bite offers a caramelized aroma complemented by juicy tenderness.

Deep-Fried Potatoes
(鍋巴土豆)

The potatoes are crispy on the outside and tender on the inside with a strong potato aroma. Comes with two options of spicy tingling pepper and tomato sauce.

Crispy Fried Chicken (half)
(秘製脆皮半隻雞)

First marinated and fried, a crispy golden exterior with tender and juicy meat on the inside. Best enjoyed fresh and hot.

We are committed to providing a value-for-money dining experience that combines delicious flavors, speedy services, courteous staff and spotless cleanliness. In general, in 2024, we have strategically designed our menu in the Chinese mainland within the unit price range of approximately RMB13 to RMB35 for our main dishes. In 2024, the average price of our main dishes in the Chinese mainland was approximately RMB22. In 2024, average spending per customer in the Chinese mainland was approximately RMB28. We adjust our menu and pricing in accordance with the local conditions and the service scenarios of our restaurants to maintain our competitive advantage.

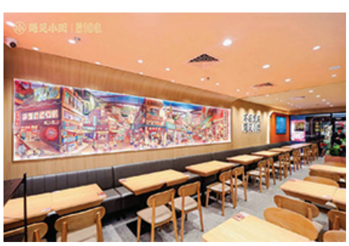
Leveraging the flexibility and diversity of Sichuan and Chongqing cuisine, we regularly update our menu to refresh and enhance our customers' dining experience and adapt to the latest trends. For details, see "— Product and Menu Development".

Dining Ambience

We endeavor to create a cozy and inviting atmosphere for our customers. The interior design of our restaurants is dedicated to recreating the cultural essence of Sichuan and Chongqing cuisine, allowing our customers to immerse in a dining environment that captures both aromatic sensation and the authentic ambience. Embodying such vibrant culinary traditions, our restaurants are places where customers can enjoy the flavorful Sichuan and Chongqing cuisine. The warm and bright ambiance of our restaurants recreates the comforting and welcoming feeling of enjoying a bowl of soup noodles at the neighborhood of our customers. A *Xiao Noodles* restaurant typically has an area of approximately 100 to 150 sq.m..

A uniform design and decoration system is adopted across *Xiao Noodles* restaurants to provide a uniform dining experience for our customers and reinforce our brand image in the market. Such design and decoration system allow us to maintain a consistent brand image across our restaurant network.

Set forth below are pictures presenting the typical dining environment of *Xiao Noodles* restaurants.



Restaurant Operation Model

Our restaurants are operated under either a corporate-owned model or a franchise model. The dual model of corporate-owned and franchising has generated synergies and fueled the expansion of our restaurant network. Our corporate-owned restaurants provide a strong foundation for scalable growth of our business through franchised restaurants. In particular, corporate-owned restaurants provide the necessary management capabilities for the effective supervision of franchisees, which facilitates the standardization of our brand image and enhancement of management efficiency.

Corporate-owned Model

We opened our first *Xiao Noodles* restaurant in 2014 in Guangzhou, Guangdong province. As of December 31, 2024, we owned and operated 279 corporate-owned restaurants. Through the continuous refinement of our corporate-owned model, we have achieved a high degree of standardization throughout our restaurant network. The uniformity in our dishes, services and operational protocols not only elevates our operational efficiency but also underpins the sustainable growth of our business. Furthermore, it allows us to exercise comprehensive control over all critical aspects of our daily operations, from the procurement of raw materials to the delivery of meals to our customers.

Franchise Model

Harnessing the success of our corporate-owned model and our well-established brand recognition, we ventured into the franchise model under our centralized management in 2019. Since adopting the franchise model, the number of our franchised restaurants has grown steadily during the Track Record Period. As of December 31, 2024, we had 81 franchised restaurants.

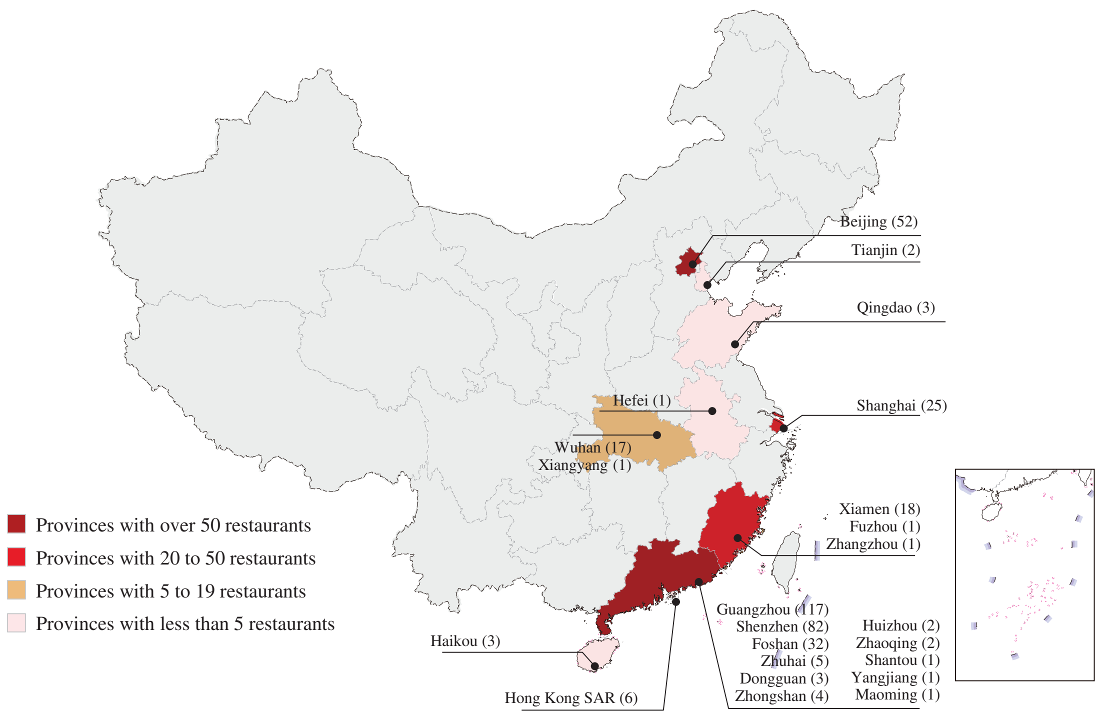
Our franchised restaurants followed the same standards we set for the corporate-owned restaurants. We maintain strong oversight of franchised restaurants, ensuring that every aspect of restaurant operation is properly managed and optimized for success. For the purpose of maintaining sustainable business growth and ensuring successful launch of new franchised restaurants, we have been working closely with our franchisees to deliver high-quality dishes and dining experiences. Our franchisees are typically responsible for initial capital investment and site selection for the opening of the franchised restaurants, which are then managed uniformly in accordance with our Group's guidelines after opening.

Going forward, as part of our triple-engine approach for our future growth we intend to continue expanding our franchised restaurant network and gradually increasing the proportion of our franchised restaurants. For details on our franchise model, see "— Our Franchisees."

Restaurant Network

From the beginning of the Track Record Period to the Latest Practicable Date, the number of our restaurants had grown by 185.7% from 133 to 380 restaurants, covering 22 cities in nine provinces in the Chinese mainland and Hong Kong SAR.

During the Track Record Period, we primarily focused on establishing our market presence in the CBDs, transportation hubs and residential areas of major cities, such as Guangzhou, Shenzhen, Shanghai, Beijing, Xiamen, Foshan and Wuhan. The map below illustrates the geographic location of restaurants in our network that are in operation as of the Latest Practicable Date.



For illustrative purpose only, the map (Map Review Number (審圖號): GS(2023)2764) is presented to demonstrate our footprint in China.

The following table sets forth our restaurant count in various regions in China as of the dates indicated.

	As of December 31,		
	2022	2023	2024
Corporate-owned restaurants			
First-tier and new first-tier cities	102	173	253
Second-tier cities and below	9	10	23
Hong Kong SAR	–	–	3
Subtotal of corporate-owned restaurants	**111**	**183**	**279**
Franchised restaurants			
First-tier and new first-tier cities	38	34	35
Second-tier cities and below	21	35	46
Hong Kong SAR	–	–	–
Subtotal of franchised restaurants	**59**	**69**	**81**
Total	**170**	**252**	**360**

The following table sets forth movement in the number of our restaurants for the periods indicated.

	For the year ended December 31,		
	2022	2023	2024
At the beginning of the period	133	170	252
Newly opened during the period	43	92	120
Closed during the period	(6)(1)	(10)(1)	(12)
At the end of the period	**170**	**252**	**360**

Note:

(1) As of January 1, 2022 and 2023, we jointly operated twelve and nine restaurants with an Independent Third Party, respectively. In 2022 and 2023, three and nine of such jointly operated restaurants were closed, respectively. For details of the background of our jointly operated restaurants, see "— Our Franchisees."

The following table sets forth movement in the number of our corporate-owned restaurants for the periods indicated.

	For the year ended December 31,		
	2022	2023	2024
At the beginning of the period	82	111	183
Newly opened during the period	32	68	101
Converted from franchised restaurants	–	5	4
Closed during the period	(3)	(1)	(9)
At the end of the period	**111**	**183**	**279**

Reasons for closure of our corporate-owned restaurants during the Track Record Period primarily included (i) customer traffic of the restaurants not meeting our expectations; (ii) change of the business plan on the part of the landlords leading to the termination of the leases; or (iii) our business decisions not to renew the leases as the landlords proposed to increase rent or the change in customer traffic in the regions. Some of our franchised restaurants were converted into corporate-owned restaurants during the Track Record Period primarily because of change of the business plan on the part of the franchisees.

The following table sets forth movement in the number of our franchised restaurants for the periods indicated.

	For the year ended December 31,		
	2022	2023	2024
At the beginning of the period	51	59	69
Newly opened during the period	11	24	19
Converted to corporate-owned restaurants	–	(5)	(4)
Closed during the period	(3)[(1)]	(9)[(1)]	(3)
At the end of the period	**59**	**69**	**81**

Note:

(1) As of January 1, 2022 and 2023, we jointly operated twelve and nine restaurants with an Independent Third Party, respectively. In 2022 and 2023, three and nine of such jointly operated restaurants were closed, respectively. For details of the background of our jointly operated restaurants, see "— Our Franchisees."

Restaurant Network Expansion Plan and Management

The success of our business stems from the continued healthy expansion of our restaurant network. We have established a highly scalable business model by standardizing key aspects of restaurant operations, and we believe that we will be able to consistently expand our restaurant network by replicating and optimizing our proven managerial and operational procedures, applying intelligent digital systems and adopting standardized procedures for new restaurant expansion.

We plan to continue to grow our presence in the China and overseas by deepening our current market penetration and broadening our geographic reach to new markets. We plan to open approximately 120 to 150, 150 to 180 and 170 to 200 corporate-owned and franchised new restaurants in 2025, 2026 and 2027, respectively.

We plan to continue to expand our restaurant network and increase market share in our existing markets in the Chinese mainland, including first-tier and second-tier cities such as Guangzhou, Shenzhen, Beijing, Shanghai, Xiamen and Foshan. We believe that by expanding our restaurant network in our existing markets, we can capture the potential business opportunities and strengthen our market position. Leveraging our success in cities where we have established our market presence and our competitive strengths, we plan to gradually tap into second-tier and lower tier cities in the Chinese mainland. For Hong Kong SAR and overseas markets, we plan to expand into Southeast Asia, which we believe will be new drivers of our business growth in the future. We believe that growing our restaurant presence and density will further promote our brand awareness and drive our revenue growth.

The estimated upfront expenses generally range from RMB0.7 million to RMB0.9 million for opening a new corporate-owned *Xiao Noodles* restaurant in the Chinese Mainland, mainly depending on the area and location of the restaurant. Such upfront expenses primarily include costs relating to decoration, purchase of equipment and other one-off expenses associated with the opening of a restaurant. We plan to fund our restaurant network expansion in 2025, 2026 and 2027 with a mix of the [**REDACTED**] from the [**REDACTED**], cash on hand, cash flows generated from our operations, as well as other external financings that we may seek to pursue at that time. For the years ending December 31, 2025, 2026 and 2027, our planned investment costs for opening new corporate-owned *Xiao Noodles* restaurants are expected to be approximately RMB108.0 million, RMB132.0 million and RMB148.0 million, respectively. With respect to the new corporate-owned restaurants that we have opened and expect to open in 2025, we have incurred approximately RMB22.7 million since January 1, 2025 and up to the Latest Practicable Date, which was funded by our existing internal resources. For details, see "Future Plans and [**REDACTED**]."

We mainly manage and standardize our restaurant expansion process from the following aspects:

Market Research and Planning

Prior to the opening of new restaurants in existing markets where we have established market presence, our restaurant network planning team typically conducts market research to assess the local market conditions and reviews the relevant market and operation data collected from our restaurant operation in the regions. We take into account factors such as demographic trends, traffic patterns and the competitive landscape.

For expansion into new geographical regions, in addition to conducting comprehensive market research on the targeted regions, we typically open a limited number of restaurants at the initial stage to develop insights as to the local customers and operation environment. After we identify the appropriate approach for serving the market, we will open more restaurants to further penetrate the market.

Site Selection

Our restaurants are typically located in transportation hubs, shopping centers, office areas, residential areas, campuses and scenic spots. We will continue to identify suitable sites with significant pedestrian traffic, such as residential areas, shopping malls and transportation hubs.

When evaluating a site, our expansion department conducts thorough analysis of market data and site visits to form a holistic view as to its suitability. Relevant factors for site selection include, among other things:

- average disposable income, consumption expenditure, age distribution and population density of the local community;

- the number and nature of other restaurants in the vicinity;

- estimated customer traffic and accessibility to public transportation; and

- rental costs and estimated return on investment.

We have also adopted and will continue to adopt various measures to avoid cannibalization among our existing and newly opened restaurants through our standardized approach of expansion management which involves careful consideration of demographic and geographical factors at the site selection stage. For example, we generally do not open multiple restaurants in one shopping mall, residential district or office area. Our management oversees the entire expansion process and, combined with conducting regular post-investment reviews of new restaurants, adjusts our expansion strategy accordingly if the performance of new restaurants is not satisfactory due to potential cannibalization. In the event that our management observes potential cannibalization of restaurants in a particular region, further expansion in such region would be paused. During the Track Record Period and up to the Latest Practicable Date, we had not observed any significant cannibalization effects within our restaurant network, demonstrating the effectiveness of our strategic site selection and expansion practices.

Lease arrangement

After the selection of ideal new sites, our headquarters engages with the relevant property owners to negotiate and finalize lease agreements. The lease arrangements for our restaurants generally last for four to six years. According to such lease contracts, we pay to the lessor and bear the necessary expenses such as property charges and utilities within the lease term. Our leases typically include a rent-free period of one to two months to facilitate the decoration and renovation of the premises. We do not own any property for our restaurant sites and believe such approach reduces our capital investment requirements.

Design, construction, renovation

Our headquarters will design our restaurants following the applicable laws and regulations and file our design plans with the local regulatory authority for approval. Upon the approval of our design plans by the relevant authorities, we will engage third-party decoration companies to conduct construction and renovation for our new restaurants following our in-house guidelines.

Licenses and compliance

Our headquarters is responsible for collecting supporting documents from the landlords, such as license, certificate and floor plan of the premises. For our corporate-owned restaurants, our headquarters is responsible for making applications with relevant local authorities for necessary licenses and permits, such as the business license, food safety license and fire safety inspection certificate. For our franchised restaurants, our franchisees are required to obtain and submit to us copies of such necessary licenses and permits.

Staff training

To facilitate the smooth opening of a new restaurant, we deploy employees at key functions in a new restaurant from our existing restaurants. These experienced employees, being familiar with our operational procedures, standards and requirements, can use their experience and know-how to better coordinate the work in the new restaurant and help new employees to quickly adapt to our systems and culture. The restaurant managers, human resources department at our headquarters and franchisees are responsible for the recruitment of restaurant frontline staff for a new restaurant. Once recruited, these new staff undergo comprehensive training sessions before the opening of the new restaurants. These training programs equip them with a thorough understanding of our standardized processes, ensuring the delivery of a consistently high-quality dining experience.

Marketing initiatives

Before the opening of our new restaurants, we typically place QR codes outside the restaurants, invite pedestrians to join our private domain groups and giveaway welcoming coupons. Upon the opening of our new restaurants, we carry out marketing and promotional activities such as organizing public relations activities, establishing social media content and connections, inviting celebrities, food critics and/or key opinion leaders for tasting and other promotional events, to enhance our brand image and strengthen our market position.

OUR RESTAURANT PERFORMANCE

The following table sets forth certain key performance indicators of our corporate-owned and franchised *Xiao Noodles* restaurants[(1)] in China by region for the periods indicated.

	For the year ended December 31,		
	2022	2023	2024
GMV[(2)] *(RMB'000)*			
First-tier and new first-tier cities	408,196	797,892	1,097,401
Second-tier cities and below	103,012	162,176	235,298
Hong Kong SAR	–	–	15,723[(3)]
Total	**511,209**	**960,068**	**1,348,422**
Average daily sales per restaurant[(4)] *(RMB)*			
First-tier and new first-tier cities	12,015	14,158	12,444
Second-tier cities and below	11,115	12,657	11,629
Hong Kong SAR	–	–	51,215
Overall	**11,822**	**13,880**	**12,402**
Total number of orders[(5)] *(thousands)*			
First-tier and new first-tier cities	11,338	23,411	34,446
Second-tier cities and below	2,822	4,808	7,388
Hong Kong SAR	–	–	260[(3)]
Total	**14,160**	**28,219**	**42,094**
Average spending per order[(6)] *(RMB)*			
First-tier and new first-tier cities	36.0	34.1	31.9
Second-tier cities and below	36.5	33.7	31.8
Hong Kong SAR	–	–	60.4
Overall	**36.1**	**34.0**	**32.0**
Seat turnover rate[(7)]			
First-tier and new first-tier cities	3.2	4.0	3.8
Second-tier cities and below	2.7	3.2	3.2
Hong Kong SAR	–	–	6.8
Overall	**3.1**	**3.8**	**3.7**

Notes:

(1) The above key performance indicators of our corporate-owned and franchised *Xiao Noodles* restaurants do not include the restaurants jointly operated with an Independent Third Party in 2022 and 2023. For details of the background of our jointly operated restaurants, see "— Our Franchisees." During the Track Record Period, there was no significant difference in the performance of our corporate-owned and franchised restaurants.

(2) Representing the total sales value of food and beverage sold under the restaurant operations and delivery business of restaurants under both our corporate-owned and franchise models over the period, after deducting any fees or costs such as discounts or returns.

(3) In 2024, we operated three corporate-owned restaurants in Hong Kong SAR, which were opened in April, November and December, 2024.

(4) Average daily sales per restaurant is calculated by dividing (i) the total GMV generated from restaurant operations and delivery business of restaurants under both our corporate-owned and franchise models by (ii) the total operation days of such restaurants for the period. The number of the total operation days of such restaurants is the sum of the operation days of all *Xiao Noodles* restaurants in the relevant regions.

(5) Total number of orders include the number of orders placed by dine-in customers and customers of our delivery services for the period in the relevant regions.

(6) Average spending per order is calculated by dividing (i) the total GMV generated from restaurant operations and delivery business of restaurants under both our corporate-owned and franchise models by (ii) the total number of orders, including orders placed by both dine-in customers and customers of our delivery services, for the period in the relevant regions.

(7) Seat turnover rate is calculated by dividing the aggregate number of orders placed by dine-in customers by the sum of products of the restaurant operation days and seat count of each restaurant for the period.

The average spending per order at our restaurants decreased from RMB36.1 in 2022 to RMB34.0 in 2023, and further decreased to RMB32.0 in 2024, primarily because we took the initiative to reduce the prices of our menu items and provide customers with a more value-for-money dining experience in order to attract customers and increase our overall sales, which was evidenced by the substantial increase in GMV and total number of orders in 2024.

Our average daily sales per restaurant increased from RMB11,822 in 2022 to RMB13,880 in 2023 primarily due to the rebound of consumers' spendings after the gradual phasing-out of the COVID-19 pandemic in 2023. Our average daily sales per restaurant decreased to RMB12,402 in 2024 primarily because (i) the base effect as a result of the rapid surge in spendings of consumers in catering market in the Chinese mainland during the first several months in 2023 following the gradual phasing-out of the COVID-19 pandemic, which was in line with the spending patterns in other consumer sectors according to Frost & Sullivan, and (ii) our initiative to reduce the prices of our menu items in order to attract more customers and increase our overall sales as mentioned above.

Benefited from our continuous effort to increase our operational efficiency through our business model with high degree of standardization, streamlined systemization and advanced intelligent digitalization, our overall seat turnover rate increased from 3.1 in 2022 to 3.8 in 2023, and remained relatively stable at 3.7 in 2024, which was higher than the industry average range of 2.0 to 2.4 in the Chinese QSR market in 2024, according to Frost & Sullivan.

Same Store Sales

The following table sets forth details of our same store sales in China 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 and had the same number of seats in both 2022 and 2023 and in both 2023 and 2024.

	For the year ended December 31,			
	2022	2023	2023	2024
Number of same stores				
First-tier and new first-tier cities	72		116	
Second-tier cities and below	24		29	
Total	**96**		**145**	
Same store sales[1] *(RMB'000)*				
First-tier and new first-tier cities	287,744	375,462	602,934	572,118
Second-tier cities and below	94,057	115,815	137,445	136,919
Total	**381,801**	**491,277**	**740,379**	**709,037**
Same store sales growth (%)				
First-tier and new first-tier cities	30.5		(5.1)	
Second-tier cities and below	23.1		(0.4)	
Overall	**28.7**		**(4.2)**	
Same store seat turnover rate[2]				
First-tier and new first-tier cities	3.2	4.0	4.0	4.2
Second-tier cities and below	2.7	3.3	3.2	3.5
Overall	**3.1**	**3.8**	**3.9**	**4.1**

Notes:

(1) Same store sales refer to the total GMV generated from our same stores, including those generated from dine-in and delivery orders.

(2) Same store seat turnover rate is calculated by dividing the aggregate number of orders placed by dine-in customers by the sum of products of the restaurant operation days and seat count of each same store restaurant for the period.

We recorded an increase in same store seat turnover rate in 2022 and 2023 as well as 2023 and 2024 primarily because we took the initiative to reduce the prices of our menu items and provide customers with more value-for-money dining experience in order to attract more customers and increase our overall sales. Our same store sales increased in 2022 and 2023 primarily due to the rebound of consumers' spendings after the gradual phasing-out of the COVID-19 pandemic in 2023.

We recorded a decrease in same store sales in 2023 and 2024 primarily because (i) the base effect as a result of the rapid surge in spendings of consumers in catering market in the Chinese mainland during the first several months in 2023 following the gradual phasing-out of the COVID-19 pandemic, which was in line with the spending patterns in other consumer sectors according to Frost & Sullivan, and (ii) our initiative to reduce the prices of our menu items in order to attract more customers and increase our overall sales as mentioned above.

Initial Breakeven Period and Investment Payback Period

Initial Breakeven Period

During the Track Record Period, the initial breakeven periods of our corporate-owned restaurants opened during the Track Record Period and in operation as of the Latest Practicable Date were generally within two months of opening.

During the Track Record Period, we opened 194 new corporate-owned restaurants that were in operation as of the Latest Practicable Date, of which 193 restaurants had achieved initial breakeven as of the Latest Practicable Date.

Investment Payback Period

Among the corporate-owned restaurants which were (i) opened during the Track Record Period and (ii) were in operation as of the Latest Practicable Date, the average investment payback period was approximately 15.2 months. We aim to shorten the investment payback period for new restaurants with ongoing refinement of our business model with high degree of standardization, streamlined systemization and advanced intelligent digitalization.

DELIVERY SERVICE

We offer our delivery services primarily through major third-party online food delivery platforms. As of December 31, 2024, we entered into cooperation agreements with four third-party platforms. Our headquarters manage and oversee online promotion, order placement, and delivery operations on these platforms, negotiating on behalf of all our corporate-owned and franchised restaurants to secure favorable commercial terms and maintain consistent service quality and standards across our operations. According to the contractual terms with these third-party platforms, they are typically responsible for displaying our menus, managing online orders, notifying our restaurants and coordinating the delivery. We pay the platforms (i) commission fee of approximately 2.0% to 20.0% of the revenue generated through the orders delivered and (ii) delivery fee based on the distance of the delivery. We are responsible for food preparation and any liabilities related to the delivery orders made on these platforms.

The revenue from delivery business of corporate-owned restaurants amounted to RMB65.7 million, RMB124.6 million and RMB180.7 million in 2022, 2023 and 2024, respectively, accounting for 15.7%, 15.5% and 15.6% of our revenue, respectively.

FRANCHISE MANAGEMENT

We generated revenue from franchise management during the Track Record Period. In 2022, 2023 and 2024, franchise management contributed 19.3%, 16.0% and 13.2% of our total revenue, respectively. We enter into franchise agreements with all franchisees. As the franchisor, we provide franchise management services under our franchise agreements with franchisees. A franchise is a right to sell products in a particular area using our brand name and trademarks. We also sell goods and equipment to our franchisees. Our franchise management services revenue mainly includes sales of goods and equipment as well as royalty and franchising income. For details, see "— Our Franchisees."

OTHER SOURCES OF REVENUE

During the Track Record Period, we also generated revenue from the sales of retail products under our *Xiao Noodles* brand on e-commerce platforms. In 2022, 2023 and 2024, sales of retail products contributed 0.2%, 0.1% and 0.1% of our total revenue, respectively. Generally, we design the product specifications and packaging while engaging third-party manufacturers for production. Throughout this process, we maintain close oversight and quality control of the raw materials used and the final finished products. We have in place a meticulous selection process, which involves careful consideration and vetting of third-party manufacturers.

PRODUCT AND MENU DEVELOPMENT

Our R&D department develops our new menu items. We also collaborate with suppliers who propose ideas of new menu items. Typically, each of our restaurants offers approximately 30 to 40 SKUs, of which over 80% are self-developed. Leveraging the flexibility and diversity of Sichuan and Chongqing cuisine, we regularly update our menu to refresh our customers' dining experience and adapt to the latest trends. Our ability to continuously introduce new and popular menu items drives customers' enthusiasm towards our restaurants and differentiates us from other Chinese noodle restaurants. We typically design new menu items under a particular theme each year. For example, during the Track Record Period, we set the theme of "hearty dish" (硬菜) with the aim to provide customers with a more value for money and satisfying meal, under which our Crispy Fried Chicken series (脆皮半隻雞系列), Maocai Hotpot series (小鍋冒菜系列), Skewer Series (牛羊肉串系列) and Angus Beef Series (安格斯肥牛系列) were introduced.

Our menu development cycle typically consists of the following key steps:

- *Project proposal*. Our R&D department proposes a number of new items based on (i) AI-empowered analysis of market data, (ii) analysis of social media content, and (iii) suggestions from our suppliers.

- *Concept screening*. Our R&D department conduct screening of the proposals and determine whether the proposed menu items can be mass-produced and whether they are operationally feasible.

- *Committee approval*. A menu item that passes the screening process will be evaluated by a culinary committee led by Mr. Song, Mr. Su and Ms. Luo. The committee consists of the department heads of R&D department, marketing department, business analysis department, supply chain department and staff training department.

- *Trial launch*. We conduct a trial launch at a single store to assess the popularity of the new menu item and the consistency of its production. We collect feedback from our customers and fine-tune the taste and quality of the menu item during the trial launch.

- *Small-scale test sales*. We conduct further small-scale test sales, ensuring that the menu item is suitable for adoption across our restaurant network.

AWARDS AND RECOGNITIONS

We have received various honors and awards in recognition of, among others, our scale, innovation and culinary offerings. The following table sets out our major awards:

Year	Award/recognition	Awarding body
2025	Top 10 Noodle House Brands (年度麵館十大品牌)	Hongcan (紅餐網)
2025	Consumer Sector Blue Chip Brand (大消費年度價值品牌)	Forbes China (福布斯中國)
2025	Consumer Sector Impactful Chain (大消費年度影響力連鎖品牌)	Frost & Sullivan (弗若斯特沙利文)
2024	China (South China) Brand of the Year with the Most Attention from Shopping Centers (中國(華南)年度最受購物中心關注品牌)	The 19th China (South China) Commercial Real Estate Innovation Summit Organization Committee (第十九屆中國(華南)商業地產創新峰會組委會)

Year	Award/recognition	Awarding body
2023	Sina Guangdong Charity Action of the Year Award 2023 (2023年新浪廣東年度公益行動獎)	Sina Guangdong (新浪廣東)
2023	Top 100 Catering Enterprises in Guangdong (廣東餐飲百強企業)	Guangdong Catering Service Association (廣東省餐飲服務行業協會)
2022	Digital Pioneers Enterprise (數字化先鋒企業)	WeChat Open Class (微信公開課)
2022	Superior Taste Award 2022 (2022年頂級美味大獎)	International Taste Institute
2021	Top 10 Brands of Chinese Noodles (中國粉麵十大品牌)	Red Cyprinoid Awards (紅鯉獎)
2021	Top 10 Annual Growth Brands (10大年度成長力品牌)	Huxiu (虎嗅網)

ORGANIZATIONAL STRUCTURE

We have established a centralized management model for all our restaurants, whether corporate-owned or franchised, under our headquarters. Our organizational structure enables us to implement uniform standards across our nationwide restaurant network, while providing our restaurants with sufficient flexibility to address local conditions.

Headquarters

Our headquarters maintain centralized control over key operational processes, including menu design and updates, expansion planning, pricing, brand and marketing initiatives, supply chain, franchise management, legal compliance, digital systems, human resources management and financial management. Standardized guidelines, methodologies, and systemic tools are formulated by the headquarters and provided to the restaurants for execution. We believe centralized management of these operational processes ensures the quality and consistency of our dishes, the dining experience we deliver, and the efficient allocation of resources.

Restaurants

Restaurant managers are responsible for the day-to-day operations of our restaurants, which include overseeing the conditions of the restaurants, managing daily workflows and supervising their respective teams of restaurant staff. Restaurant staff are typically assigned standardized and easy-to-learn tasks, such as daily pre-opening routines, customer greetings, table arrangements, food preparation, delivery of dishes to customers and restaurant hygiene maintenance, according to the operation standards and service guidelines set by our headquarters.

OPERATIONS MANAGEMENT

Standardization

We rely on standardized operations to maintain consistency in the quality of food and services and the overall dining experience across our corporate-owned and franchised restaurant network. We have established a comprehensive set of standards and specifications with respect to the key aspects of our restaurant operations, including customer service, procurement, employee conduct, digital systems, as well as employee training programs. For details, see "— Competitive Strengths — Highly standardized operational model with high replicability."

Pricing

We offer high quality food at affordable prices to bring value-for-money dining experience to our customers. Generally, pricing of our menu items is determined by our headquarters with reference to local conditions. When making pricing decisions with respect to a particular region, we consider a number of factors, including the average disposable income, spending patterns of consumers in the local community, procurement and rental costs of the restaurants, prices set by competitors and our target profit margin. We also closely monitor the pricing of our competitors in the same city to evaluate our pricing. We may update our pricing from time to time to reflect market trends and general economic conditions. In addition, we have adopted a dynamic pricing strategy that aims to stimulate market demand and drive sales volume by offering competitive prices. We strive to optimize our procurement costs to sustain these competitive prices. This strategy allows us to maintain affordable pricing, increase sales volume, solidify our leading market position and become the optimal choice for our customers' daily meals.

Restaurant Performance Evaluation

We conduct periodic evaluations of the performance of our restaurants. In order to continuously optimize our restaurant management and enhance the overall performance across our restaurant network, we have implemented the "horse-racing" mechanism across our restaurants to objectively evaluate the performance of each restaurant. Our evaluation mechanism quantifies critical metrics in the operation of our restaurants such as customer service, kitchen operation, personnel management, food safety, financial management and inventory management. We set out rational and controllable evaluation criteria for our restaurants. For example, our system provides daily staffing recommendations to each of the restaurants based on estimation of sales. One of our performance indicators is the restaurants' adherence rate to our system's staffing recommendations. Managers of restaurants with satisfactory performance are rewarded with bonuses. We believe such unified evaluation mechanism fosters healthy competition among our restaurants and incentivizes performance improvements.

Our "horse-racing" mechanism is built on the foundation of our digital infrastructure. Most of the indicators and criteria are automatically generated by our digital system. At the same time, the mechanism is supported by our training department and inspection department consisting of individuals who have extensive management backgrounds and on-the-job experience in restaurant operations. Such individuals contribute to the continuous optimization of our "horse-racing" mechanism through transforming insights from practical business needs into new indicators and criteria in the mechanism in response to the ever-changing business environment.

When we identify a low rating restaurant, we investigate the underlying reasons, which may be related to, among other things, the restaurant location, surrounding business environment, menu offerings, pricing and/or staffing. For our corporate-owned restaurants, our initial step involves assessing the root cause of underperformance, identifying issues attributed to human factors and taking prompt corrective actions, which include the replacement of management if alternative corrective actions do not lead to improvements.

Regarding our franchised restaurants, we offer support in diagnosing underlying issues and formulating improvement plans. Should external factors be identified as the causes of underperformance, adjustments such as franchise fee reductions may be implemented to alleviate operational pressures of our franchisees.

Customer Feedback Management

We pay close attention to customer feedback to maintain the popularity of the *Xiao Noodles* dining experience. We provide standard guidelines for our restaurant staff to handle customer complaints. Our customer service team handles more complex customer complaints and continuously monitors customer feedback based on the output of our software that analyses customer comments online. Our AI-empowered system collects and collates customer feedback from third-party platforms, performs real-time semantic analysis and extracts relevant data for our menu optimization, precision marketing initiatives and risk control. Our AI-empowered system automatically generates reports to our customer service team. For example, if a customer posts on a platform about the flavor of our new menu items, our AI-empowered system will capture such comments in its report for us to fine-tune the flavor of our menu items proactively. During the Track Record Period, we did not receive any material customer complaint with respect to our restaurants.

Settlement and Cash Management

We accept cash, credit cards, WeChat Pay, Alipay and other online payments at our restaurants, as non-cash payments become increasingly common. In 2024, approximately 98.5% of the total amount paid by our dine-in customers was settled through mobile payment. During the same period, approximately 0.9% of total amount paid by our dine-in customers was settled by cash.

To avoid misappropriation and embezzlement of cash, we have developed a digital cash management system for restaurant operations. The restaurant managers record cash inflows and outflows, count and hand over the cash during each shift. We have also implemented a operational and financial reconciliation system where the finance department reconciles any discrepancies with the cash management app regularly. In addition, the inspection team conducts random cash counts at the restaurants monthly.

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.

OUR FRANCHISEES

Our franchisees stand as one of the four pillars of the development of *Xiao Noodles*. We ventured into the franchise model in 2019 and have continuously explored its development since then. During this period, we tapped into franchising with franchisees who typically opened a few franchised restaurants. We also engaged in and placed emphasis on regional franchising, where the franchisees are typically responsible for opening franchised restaurants in designated cities or regions. As of the Latest Practicable Date, our largest regional franchisee opened 19 franchised restaurants. According to Frost & Sullivan, the franchise model has been widely adopted in the catering industry, offering key benefits such as (i) accelerated expansion of restaurant network and enhanced regional penetration, driving increased market share, and (ii) leveraging the entrepreneurial spirit, local connections and resources of franchisees.

Some of our former employees became our franchisees because of their recognition of our business model, appreciation of our brand, and the trust established with us during their employment. As of December 31, 2022, 2023, and 2024, five, four and four franchisees were our former employees, respectively, and they collectively operated eight, seven and seven franchised restaurants at the respective time. Revenue generated from our sale of goods and equipment to as well as royalty and franchising income from these franchised restaurants contributed to less than 5% of our total revenue for each year during the Track Record Period. According to Frost & Sullivan, it is not uncommon for practitioners in our industry to engage former employees as franchisees.

We treat such franchisees generally in the same way that we treat our other franchisees. We applied the same selection criteria when enrolling the franchisees and the franchise agreements that we entered into with these franchisees contained the similar terms and conditions that we offered to independent franchisees. To the best of our knowledge, other than as described above, our franchisees were all Independent Third Parties during the Track Record Period.

In 2022 and 2023, we have explored the feasibility of the joint-operation model with an Independent Third Party, which, as the franchisee, was fully responsible for the operation of the franchised restaurants under our brand. We authorized the use of our brand and allowed such franchised restaurants to submit procurement orders through our centralized procurement system. As of January 1, 2022 and 2023, we jointly operated twelve and nine franchised restaurants with the Independent Third Party, respectively. During the Track Record Period, we gradually ceased the joint-operation model and closed all such restaurants by the first half of 2023 primarily because such model proved incompatible with our strategic focus on streamlined systematic management.

We seek to foster long-term, robust relationships with our franchisees. During the Track Record Period, we terminated relationships with only a few franchisees. Reasons for these terminations primarily included (i) underperformance by franchisees who failed to meet our evaluation standards, and (ii) change of business plans on the part of the franchisees.

The following table sets forth movement in the number of franchisees for the periods indicated.

	For the year ended December 31,		
	2022	2023	2024
At the beginning of the period	30	36	40
Newly added	6	10	6
Terminated	–	(6)	(4)
At the end of period	36	40	42

Onboarding Process

We implement a rigorous onboarding process for new franchisees, covering every critical phase from initial selection to restaurant opening. Each candidate undergoes a thorough selection procedure, measured against comprehensive criteria to ensure alignment with our business values and the capability to successfully operate a restaurant. Generally, it takes approximately two to three months to complete the entire process from franchisee selection to new restaurant opening.

Our systematic restaurant opening system mainly includes site selection, project management, training and recruitment, marketing and legal compliance. The franchisee onboarding process includes the following key stages:

- *Selection of franchisees.* Franchisees should possess self-management capabilities and a commitment to sustainable operations. In addition, preference is given to franchisees who have previous restaurant management experience with strong local connections and resources.

- *Mandatory training.* We require franchisee candidates and their key employees to attend mandatory training programs provided by our headquarters covering the necessary knowledge and know-how before launching of franchised restaurants.

- *Site selection.* Upon completion of their mandatory training, we work closely with the franchisees and provide them with network planning data support for the selection of restaurant locations. Before proceeding with opening a new restaurant, franchisees must undergo the same process as the opening of our corporate-owned restaurants and obtain prior approval from our headquarters in respect of the site selection. We offer comprehensive guidance and support for selecting new franchised restaurant sites, including location recommendations and data-driven analysis.

Management of Our Franchisees

We manage our franchisees in the following aspects to ensure high-quality restaurant operations and enhance customer satisfaction:

- *Restaurant design.* Franchisees are required to adhere to the same standardized design and equipment specifications as our corporate-owned restaurants. This ensures the creation of a dining environment that aligns with our brand standards and provides a consistent experience for customers across all restaurants.

- *Construction management.* We guide our franchisees in the construction process of franchised restaurants, such as budgeting, construction works management, project acceptance and costs analysis.

- *Standardized employee management and training*. Franchisees must strictly adhere to our guidelines on employee management such as recruitment, training and management structure.

- *Platform system*. Similar to our corporate-owned restaurants, all franchised restaurants have installed a uniform operation system covering the entire restaurant management process including ordering of dishes, food preparation and staff management, which enables us to perform real-time tracking on operational data.

- *Standardized operations*. We have established comprehensive operational measures and management policies to guide our franchisees in their daily restaurant operations.

- *Centralized procurement*. Our headquarters exercises complete control over the procurement of food ingredients, restaurant supplies and equipment. Franchisees can place orders through our centralized procurement system.

- *Performance review*. Our horse-racing mechanism is implemented across both our corporate-owned and franchised restaurants. This ensures that all restaurants are evaluated on the basis of objective and quantifiable metrics such as customer service, kitchen operation, personnel management, food safety, financial management and inventory management. See "— Operations Management — Restaurant Performance Evaluation".

- *Quality control*. All franchisees shall adhere strictly to all applicable laws and regulations concerning food quality, safety, and hygiene, as well as our internal protocols. We conduct site visits to supervise operations and guide restaurants in addressing food safety and quality control issues. Furthermore, our AI-empowered system allows us to visually oversee the preparation of dishes in the franchised restaurants through network cameras.

- *Compliance management*. The franchisees are responsible for obtaining all necessary licenses and permits, such as the business license, restaurant operation license and fire safety inspection certificate, as applicable. The franchisees are required to submit to us copies of such necessary licenses and permits.

We have a buyer/seller relationship with our franchisees. For details of our revenue recognition for sale of goods and equipment to franchisees and royalty and franchising income, see "Financial Information — Revenue and other income — (i) Revenue from contracts with customers".

Agreements with Franchisees

Following the onboarding process, we enter into agreements with the franchisees to cover the key aspects of the operation of franchised restaurants. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any franchisee committing any breach of their franchise agreements that had a material adverse impact on our business operations.

Key Terms of Franchise Agreements

Term, renewal and termination . .	Our franchise agreement typically has an initial term of approximately five years. In the last six months before an agreement expires, our franchisees can submit a written request to renew provided that they have not breached the franchise agreement. If our franchisees do not submit written requests or if we decide not to renew, our franchise agreement will be automatically terminated.
Franchise fee and deposit	We require franchisees to pay a fixed amount of deposit at the beginning of the franchise term to ensure their full compliance with the franchise agreement terms. We typically charge franchisees (i) a non-refundable upfront initial fee upon entering into franchise agreements for pre-opening support services provided to the franchisees, including market and location analysis, certain advisory services like license application and pre-opening marketing and (ii) a royalty fee, which is a monthly fee based on predetermined percentages of the GMV generated by the franchised restaurants. We have a right to adjust the royalty fees based on the operating performance of franchised restaurants.
Financial arrangement	We require our franchised restaurants to use our POS system uniformly for billing, cashiering and revenue recording.
Operational standard.	We reserve the right to determine various operational aspects of our franchised restaurants, including interior design, procurement, menu offerings, equipment, technology systems, and marketing materials. We also closely monitor the operation of our franchised restaurants to ensure our standards are consistently met.

Anti-cannibalization	Our franchisees are required to operate their franchised restaurants in the designated premises and areas as outlined in the franchise agreement. In addition, any selection of restaurant locations and premises must be approved by us in writing before the opening of additional franchised restaurants.
Unified menu offering	We have the right to decide the menu offerings provided at our franchised restaurants. Our franchisees are not permitted to provide products or services outside of the permitted scope without our written approval.
Mandated selling prices	Our franchisees must provide menu offerings at the retail prices set by us and are not permitted to adjust these selling prices on their own.
Sales target	We do not impose any sales targets on our franchisees under the franchise agreement.
Minimum purchase amount	We do not set any minimum purchase amount for our franchisees under the franchise agreement.
Intellectual property	Our franchisees are authorized to use our brand, trademarks and our proprietary operational guidelines within the designated premises.

Key Terms of Procurement Agreements with Franchisees

Order placement	Franchisees are required to submit procurement orders through our centralized procurement system.
Product return	Franchisees may return defective products on the spot upon delivery. Our return policy is generally in line with industry practice according to Frost & Sullivan.
Payment and credit terms	Monthly invoices are issued to the franchisees, who are required to settle the payment within the same month. In the monthly invoices, on top of the previous month's total payment amount, franchisees are required to pay a sum that equals to half of the previous month's total payment amount (as an estimation of the current half-month's payment amount), which will be deducted in the calculation of next month's total payment amount in the next invoice.
Delivery	We will arrange for the delivery of purchased supplies and equipment to the franchised restaurants.

PROCUREMENT

We strive to obtain high quality supplies from reliable sources at reasonable prices. We primarily procure (i) food ingredients, such as meat and condiments as well as (ii) decoration materials, equipment and other supplies used in our restaurants. We have established a procurement team at our headquarters to implement a centralized procurement system for all purchase orders. Currently, we procure food ingredients from third-party suppliers primarily through a logistics and supply chain service company located in Beijing and a group of companies under its common control (collectively, the "**Supply Chain Service Group**"), all of which are Independent Third Parties located in the Chinese mainland providing supply chain services to us. For details, see "— Procurement — Procurement Arrangement with the Supply Chain Service Group."

Supplier Selection and Evaluation

Our suppliers are one of the four pillars of the development of *Xiao Noodles*. We continuously identify and evaluate prospective suppliers to optimize our supply chain arrangements. We utilize a comprehensive set of criteria to evaluate the suitability of each prospective supplier. Such criteria include, among other things, pricing, quality and safety of products, market reputation, financial conditions, qualifications and production capacities.

Our procurement team conducts market research on an ongoing basis and invites competent candidates to our selection process. We conduct thorough assessments, such as product sampling, before we engage each new supplier. With respect to food processing companies, we also conduct site visits of their facilities both before engagement and periodically afterwards. During such site visits, we assess whether the equipment and production environment meet our comprehensive set of quality control, hygiene and food safety criteria. We also collect feedback from our restaurants as to the quality of the supplies they receive.

Supply Agreements

As of the Latest Practicable Date, we collaborated with approximately 450 suppliers. We generally enter into standard one-year framework agreements with our suppliers, salient terms are set forth below:

- *Quality*. We generally provide detailed specifications regarding the quality of the goods supplied. We require all suppliers to comply with relevant quality standards and specifications in accordance with relevant laws and regulations, as well as industry standards.

- *Pricing*. The prices are generally fixed for prescribed periods of time set out in the agreements.

- *Delivery schedule*. We generally stipulate the delivery schedule in our agreements with both our suppliers and the Supply Chain Service Group. The supplier is responsible for the delivery to the Supply Chain Service Group's warehouses while the Supply Chain Service Group is responsible for the delivery to our restaurants. The delivery schedule depends on the types of products procured.

- *Inspection and Acceptance*. The food products and ingredients are subject to our inspection upon arrival at our designated location, and we may refuse acceptance of any defective products and ingredients. In case of any quality defects, we are entitled to replacement or refund by the suppliers.

- *Payment*. We generally settle payments with our suppliers through the Supply Chain Service Group monthly.

Supplier Management

We had 341, 424 and 439 authorized suppliers as of December 31, 2022, 2023 and 2024, respectively. On average, we have approximately five years of business dealings with our major suppliers.

We typically have multiple suppliers for each of our main food ingredients to minimize any potential disruption in our operations, maintain sourcing stability, avoid over-reliance risk, and secure competitive prices from suppliers. We do not believe that we face material supplier concentration risks. 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 supplies that had any material adverse impact on our business or results of operations.

Our suppliers generally offer us a credit term of up to 60 days. We typically settle trade payable obligations with respect to our suppliers through bank transfers.

Purchases from our five largest suppliers in each year during the Track Record Period accounted for 28.7%, 30.1% and 30.5% of our total purchases for the respective year. Purchases from our largest supplier in each year during the Track Record Period accounted for 7.2%, 10.1% and 11.6% of our total purchases for the respective year. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest suppliers in each year during the Track Record Period were Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers in each year during the Track Record Period. We procured from our five largest suppliers in each year during the Track Record Period through the Supply Chain Service Group. For details, see "— Procurement — Procurement Arrangement with the Supply Chain Service Group."

The table below sets forth the details of our top five largest suppliers during the Track Record Period:

For the year ended December 31, 2024

Supplier	Main products purchased by us	Year of Commencement of the relationship with us	Credit terms	Settlement method	Purchase amount	Percentage of total Purchase
					(RMB in thousands)	*(%)*
Supplier A[(1)] . . .	Meat products	2020	30-60 days	Bank transfer	43,020	11.6
Supplier B[(2)] . . .	Meat products	2022	30-60 days	Bank transfer	18,470	5.0
Supplier C[(3)] . . .	Noodles	2019	30-60 days	Bank transfer	18,219	4.9
Supplier D[(4)] . . .	Condiments	2019	30-60 days	Bank transfer	17,309	4.7
Supplier E[(5)] . . .	Noodles	2017	30-60 days	Bank transfer	15,983	4.3
Our total purchase from the top five suppliers					113,001	30.5

For the year ended December 31, 2023

Supplier	Main products purchased by us	Year of Commencement of the relationship with us	Credit terms	Settlement method	Purchase amount	Percentage of total Purchase
					(RMB in thousands)	*(%)*
Supplier A[(1)] . . .	Meat products	2020	30-60 days	Bank transfer	28,921	10.1
Supplier B[(2)] . . .	Meat products	2022	30-60 days	Bank transfer	17,250	6.0
Supplier D[(4)] . . .	Condiments	2019	30-60 days	Bank transfer	14,724	5.1
Supplier C[(3)] . . .	Noodles	2019	30-60 days	Bank transfer	13,095	4.6
Supplier E[(5)] . . .	Noodles	2017	30-60 days	Bank transfer	12,334	4.3
Our total purchase from the top five suppliers					86,324	30.1

For the year ended December 31, 2022

Supplier	Main products and/or services purchased by us	Year of Commencement of the relationship with us	Credit terms	Settlement method	Purchase amount	Percentage of total Purchase
					(RMB in thousands)	*(%)*
Supply Chain Service Group[6]	Meat products, condiments, restaurant supplies, and supply chain services such as logistics and warehousing	2019	30-60 days	Bank transfer	10,807	7.2
Supplier F[7] . . .	Condiments, beverages and restaurant supplies	2020	30-60 days	Bank transfer	9,507	6.3
Supplier E[5] . . .	Noodles	2017	30-60 days	Bank transfer	8,630	5.7
Supplier D[4] . . .	Condiments	2019	30-60 days	Bank transfer	7,985	5.3
Supplier G[8] . . .	Meat products	2022	Prepayment	Bank transfer	6,292	4.2
Our total purchase from the top five suppliers					43,221	28.7

Notes:

(1) Supplier A is a group of companies engaged in the production, processing, and sales of food products and condiments under the common control of a company, including (i) a company located in Chengdu; incorporated in 1993; RMB10.0 million registered capital; (ii) a company located in Bengbu; incorporated in 2020; RMB116.9 million registered capital.

(2) Supplier B is a private company located in Shenzhen and incorporated in 2018 with a registered capital of RMB10.0 million. Its principal business mainly involves the sales of rice, oil, non-staple food, seafood, as well as agricultural, meat, and egg products.

(3) Supplier C is a group of companies engaged in the processing, storage and sales of food products and condiments under the common control of a company, including (i) a company located in Dongguan; incorporated in 2007; USD31.7 million registered capital; (ii) branch companies of a company located in Shanghai; incorporated in 2009; RMB68.0 million registered capital.

(4) Supplier D is a private company located in Chengdu and incorporated in 2008 with a registered capital of RMB8.0 million. Its principal business mainly involves the production and sales of food products and condiments.

(5) Supplier E is a private company located in Zhongshan and incorporated in 2015 with a registered capital of RMB0.3 million. Its principal business mainly involves the production and sales of food products.

(6) Supply Chain Service Group consists of a company, located in Beijing and established in 2014 with a registered capital of approximately RMB117.0 million, and a group of companies under its common control. For details, see "— Procurement — Procurement Arrangement with the Supply Chain Service Group."

(7) Supplier F is a private company located in Guangzhou and incorporated in 2007 with a registered capital of RMB6.0 million. Its principal business mainly involves the sales of agricultural and food products.

(8) Supplier G is a private company located in Shenzhen and incorporated in 1991 with a registered capital of USD23.0 million. Its principal business mainly involves the production and sales of meat products as well as other food products.

Procurement arrangement with the Supply Chain Service Group

We have engaged the Supply Chain Service Group for the procurement of food ingredients since 2019. The Supply Chain Service Group primarily engages in the provision of "one-stop-shop" supply chain services (including purchase, process, warehouse storage, logistics, and sales of food products) to catering service brands. While our procurement team is fully in charge of the selection, management and evaluation of as well as negotiations with our suppliers, the Supply Chain Service Group provides supply chain services such as logistics and warehousing for our purchased products. We also sourced some of our food ingredients and restaurant supplies directly from the Supply Chain Service Group. The Supply Chain Service Group conducts inspection of the purchased products upon delivery to its warehouses. The food products and ingredients are subject to our inspection upon arrival at our designated location. We also conduct regular on-site inspections at the warehouses of the Supply Chain Service Group and manufacturing facilities of third-party suppliers.

The salient terms of our agreement with the Supply Chain Service Group are set forth below:

- *Duration.* Our agreements with the Supply Chain Service Group generally last for three years.

- *Scope of services.* In accordance with our instructions, the Supply Chain Service Group mainly provides (i) services of placing procurement orders with our selected third-party suppliers on behalf of us after obtaining our confirmation, (ii) warehousing services with regular reports of the inventory status of our purchased products to us, (iii) logistics services for delivery of our purchased products from the warehouses of the Supply Chain Service Group to our designated locations, and (iv) settlement services with third-party suppliers on behalf of us.

- *Service fees.* The Supply Chain Service Group charges service fees based on predetermined percentages of the purchase value depending on the types of products purchased by us.

- *Obligations of the Supply Chain Service Group.* The Supply Chain Service Group manages stock of our purchased products and arrange delivery schedules according to our instructions in order to ensure sufficient supply of food ingredients for our restaurants.

We believe the use of the Supply Chain Service Group's supply chain services allows our management to focus on our core business to enhance the operational efficiency of our restaurants and drive scalable growth. In particular, the Supply Chain Service Group provides efficient integrated solutions for logistics and warehousing systems which streamline our supply chain management. Such arrangement can meet our nationwide warehousing needs.

According to Frost & Sullivan, it is common practice for chain restaurants to engage third-party supply chain services. In 2022, 2023 and 2024, the total purchase of our Group supplied through the Supply Chain Service Group were RMB150.1 million, RMB299.2 million and RMB400.1 million, respectively, among which the supply chain service fees charged by the Supply Chain Service Group were RMB8.5 million, RMB16.2 million and RMB22.8 million, respectively. According to Frost & Sullivan, the service fees charged by the Supply Chain Service Group were comparable to the prevailing market prices, and there are alternative suppliers of similar services available in the Chinese mainland which are able to provide services comparable to those provided by the Supply Chain Service Group.

Price Management and Price Sensitivity Analysis

We implement various measures to control our purchase costs, including (i) arranging agreed-upon prices or price ranges with select suppliers in advance to secure sufficient supplies at reasonable costs, (ii) establishing long-term, stable relationships with upstream suppliers, and (iii) stocking certain food ingredients according to market conditions and sales records. Moreover, we believe we are able to obtain favorable terms from suppliers as we generally conduct centralized procurement in large volumes.

The table below sets forth the sensitivity analysis of the impact on our results of operations during the Track Record Period from the fluctuations of the raw materials and consumables used. Our actual results may differ from this hypothetical illustration depending on the actual fluctuations, if any, in our cost for sales of goods and other related items.

	-10%	**-5%**	**+5%**	**+10%**
		(RMB'000)		
Hypothetical change in profit for the year				
Year ended December 31, 2022	12,010	6,005	(6,005)	(12,010)
Year ended December 31, 2023	21,770	10,885	(10,885)	(21,770)
Year ended December 31, 2024	29,678	14,839	(14,839)	(29,678)

Anti-bribery Measures

We have set forth guidelines against engaging in bribery and creating circumstances which may create a conflict of interest between us and our employees. For example, all of our suppliers are required to sign an anti-bribery agreement with us, and we may terminate our cooperation with the supplier if it violates any relevant laws or regulations or fails to report an incident of bribery involving such supplier. We have also implemented a whistle-blower program under which employees will report instances of bribery or kickbacks directly to our headquarters. The centralized procurement system also enables us to limit the number of employees with the authority to select suppliers and thus to increase the effectiveness of our internal control measures. As of the Latest Practicable Date, two of our employees had such authority. No other employee has the authority to select suppliers. 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:

- *Meat*. We purchase beef, pork and other processed meat products primarily from China with typical shelf lives of six to twelve months. During the Track Record Period, in general, the turnover days of our meat was approximately two to four days. Upon delivery, our staff request test reports for chemical testing (including bacteria and other chemical substances) and conduct quality inspection procedures such as visual inspections on color, smell, packaging and quality.

- *Condiments*. We purchase condiments from China with typical shelf lives of six to twelve months. During the Track Record Period, in general, the turnover days of our condiments was approximately four to seven days. Upon delivery, our staff conduct quality inspection procedures such as visual inspections on color, smell, packaging and quality.

Procurement Procedure

We have established centralized purchase procedures for all purchase orders for our food ingredients. Our procurement team at headquarters is responsible for selection of and negotiations with our suppliers. Our restaurant managers can place orders through our centralized procurement system, which generates procurement recommendations for the restaurant managers to make necessary adjustments, if any, and, upon placing of the procurement orders, automatically submits the orders to our suppliers.

In addition, we have established internal review, approval and monitoring procedures for all purchase orders for our key food ingredients. Our procurement team devises regular procurement plans based on the consumption estimation for our restaurants with reference to our market outlook and our past experiences. We collect and analyze our historical monthly procurement data and make such data available in our internal system. We also conduct weekly reviews to ensure that our procurement plans align with the latest demand trend.

LOGISTICS

We engaged the Supply Chain Service Group for logistics and warehousing services. We bear the cost for logistics and warehousing services provided by the Supply Chain Service Group, and risks associated with the shipment are assumed by suppliers or the Supply Chain Service Group, as the case may be. For details, see "— Procurement — Procurement arrangement with the Supply Chain Service Group." We also engage reputable and large-scale third-party transportation companies with cold-chain food delivery capabilities (if required) to provide logistics services to us. We currently collaborate with three third-party logistics companies.

FOOD SAFETY AND QUALITY CONTROL

We place the highest priority on the health and safety of our customers, and we dedicate substantial resources, including our procurement team and headquarters staff, to help ensure that our customers enjoy safe food at our restaurants. Ms. Luo, our Executive Director and vice president, leads a team of 12 members at our headquarters to oversee our food safety and quality control practices and are responsible for food safety control in our operations. We also implement stringent food safety and quality control standards and measures throughout different aspects of our operations, including (i) procurement, (ii) logistics and storage and (iii) restaurant operations.

Procurement

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. When evaluating prospective suppliers, we visit their facilities and test samples in accordance with our comprehensive set of technical and safety criteria. We have formulated detailed quality inspection standards. We actively conduct quality inspections and reviews of our existing suppliers, including site visits to the facilities of our suppliers. In addition, we implement centralized procurement and strictly prohibit our restaurants from making independent purchases to ensure full control over the quality of our supplies.

Logistics and Storage

Supplies are delivered to our restaurants directly by the Supply Chain Service Group and other third-party logistics companies, which constantly monitor and maintain appropriate temperature during the delivery process. Upon delivery of supplies to our restaurants, our restaurant staff will store such supplies under appropriate temperature and storage conditions in accordance with our food safety requirements.

Restaurant Operations

We adopt stringent food safety and quality control standards for all our restaurants:

- *Inspections by inspection department and secret guests.* Our inspection department conducts unannounced inspections of our restaurants to identify and rectify potential quality and food safety issues. The inspection team evaluates, among other things, food safety, hygiene, kitchen operations and digital system operations. We also arrange on-site inspections by secret guests, who are Independent Third Parties. Secret guests submit reports covering key areas such as service quality, food quality and restaurant hygiene after their inspections.

- *AI-empowered visual recognition system*. Through a comprehensive AI-empowered visual recognition system, issues at our restaurants are automatically detected and flagged. For example, our AI-empowered system can visually oversee the preparation of dishes in our restaurants through network cameras. Our system also tracks the inventory and expiration dates of food ingredients at our restaurants and pushes reminders to our restaurant staff.

- *Customer feedback analysis*. Our AI-empowered system collects and collates customer feedback from third-party platforms, performs real-time semantic analysis and extracts relevant data to identify any potential food safety issues.

CUSTOMER BASE AND MARKETING

Customers

Customers forms one of the four pillars supporting the development of *Xiao Noodles*. Our restaurants offer Sichuan and Chongqing cuisine, as well as a value-for-money dining experience, to our customers. As a testament to our popular appeal, the total number of orders we served in our corporate-owned and franchised restaurants in 2022, 2023 and 2024 was 14.2 million, 28.2 million and 42.1 million, respectively. The total number of orders we served significantly increased in 2023 and 2024, which were in line with the growth of the number of our restaurants during the same periods.

To foster customer loyalty and promote our brand, we have established a membership system, which includes regular and stored value members. Our regular members create membership accounts free of charge by registering their mobile numbers on our membership system. Regular members can earn reward points through purchases at our restaurants, allowing them to obtain discount with the accumulated points. On the other hand, our stored value members can top up their membership accounts by depositing a minimum of RMB88, which can be used for payment at our restaurants. We offer a discount of approximately 8.0% to 10.0% for payments made with stored value membership accounts. As of the Latest Practicable Date, our membership system had attracted more than 18.8 million members.

Under the franchising model, we also regard our franchisees as our customers. In 2022, 2023 and 2024, our five largest customers in each year comprised our franchisees. In 2022, 2023 and 2024, revenue from our five largest customers in each year accounted for 8.5%, 6.8% and 4.9% of our total revenue for the respective periods. Our largest customer in each year during the Track Record Period accounted for approximately 3.7%, 3.5%, and 2.8% of our total revenue for 2022, 2023 and 2024, respectively. During the Track Record Period, we were not subject to any material customer concentration risk. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest customers in each year during the Track Record Period were Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers in each year during the Track Record Period.

As a restaurant company, we have a large and fragmented customer base. Given the business nature of our Company, our business did not experience any distinguishable seasonal fluctuations in each quarter during the Track Record Period.

Marketing

Our brand and reputation have primarily been built through word-of-mouth recommendations by enthusiastic customers who have enjoyed the *Xiao Noodles* dining experience. In addition, we promote our restaurants through both online and offline channels. We maintain official accounts on several leading social media platforms, where we post marketing information relating to new menu items and new restaurant openings, engaging with our followers to strengthen direct communication between our brand and consumers.

Set forth below are some of our typical marketing initiatives for the promotion of our brand:

- *Continuous restaurant image upgrades*. We strive to enhance our brand identity by modernizing restaurant interiors, standardizing visual branding, and creating a more inviting dining atmosphere. These upgrades strengthen our distinctive image, improve customer recognition, and drive increased foot traffic.

- *Leveraging digital and influencer marketing*. By partnering with lifestyle platforms and food influencers, we amplify our reach through targeted online and offline campaigns. These collaborations attract new customers while reinforcing our brand reputation.

- *Strategic cross-industry brand collaborations*. We actively collaborate with leading brands across industries to integrate Sichuan-Chongqing culture into new consumer experiences. For example, we collaborated with well-known brands and popular animated intellectual properties in the Chinese mainland in our marketing campaigns to attract new customers.

- *Growing our membership base*. In addition to inviting customers to be our members during the ordering process, we actively organize marketing campaigns and offer discounts to attract new members. For example, we drive new member acquisition through coupon promotions in partnership with well-known brands.

OUR TECHNOLOGIES

Our technological capabilities serve as the foundation of our restaurant management. Specifically, our digital intelligence technology infrastructure encompasses our front-end, mid-end, and back-end operations. This comprehensive infrastructure forms the backbone that supports and enhances our operational efficiency. As of December 31, 2024, a majority of our digital intelligence systems and tools are self-developed, with certain standard tools developed by third parties.

Our proprietary technological infrastructure supports and enhances every aspect of our business operations ranging from front-end ordering of dishes by customers to back-end digital systems for kitchen operation, management of procurement, inventory, supply chain, human resource, employee training and evaluation.

- *Digital ordering system*. Our mobile ordering system allows us to streamline the ordering process and shorten the ordering time for each table. Customers can order at the tables of *Xiao Noodles* restaurants by scanning the QR code with their mobile devices. Such system enables us to efficiently track customers' orders, understand customer preferences and improve our menu offerings. Furthermore, we encourage our customers to use mobile payment and therefore streamline our checkout process. In 2024, approximately 98.5% of the total amount paid by our dine-in customers was settled through mobile payment. As part of our marketing initiatives, customers are also invited to become our members and follow our WeChat official account in the digital ordering process.

- *Restaurant operations*. We have developed digital systems for the seamless and standardized operations across our restaurants. Our technology and digital systems establish a closed-loop management process that covers every stage from order receipt to dish delivery, including ingredient preparation and cooking processes. These systems are able to manage ingredient shelf life with automatic disposal reminders and guide our restaurant staff in the preparation process through standardized steps while tracking dish delivery times to customers. Our intelligent food preparation system leverages our accumulated experience of food preparation and cooking time to optimize the workflow of our restaurants in real-time in accordance with the in-coming customers' orders. For example, for an order that comprises main dish and snacks, our system automatically generates the optimized preparation plan with precise cooking procedures and time that allows our restaurant staff to deliver both dishes to the customer at the same time.

- *Procurement, inventory and supply chain management*. We have also put in place an efficient and centralized digital supply system developed by the research and development team of our information technology department for collecting supply orders from our restaurants. The system enables our restaurant staff to place orders based on the system's recommendations to ensure that stocks are adequate. In particular, it typically takes our restaurant staff approximately 15 to 30 minutes to finish the ordering process in our system. The system also enables our procurement team to continuously monitor the inventory depletion in our restaurant network, as well as the costs, procurement amount and inventory level of each restaurant, thereby reducing waste.

- *Human resource, employee training and evaluation*. We have developed digital systems for staff recruitment and retention. For example, our self-developed staffing system provides daily staffing recommendations to each of the restaurants based on estimation of sales. Our e-learning and personal development platforms facilitate our internal training process. We also adopt digital performance appraisal systems.

Our self-developed management system collects real-time operational data and performs comprehensive business and financial analysis. Such analysis provides our management with insights into our entire restaurant network, supporting data-driven decision making to optimize our restaurant operations. Our system automatically generates analytics dashboard for headquarters management, tracking key indicators such as sales, discount rate, sales volume and sold-out status of menu offerings in real-time as well as composing daily management profit and loss statement of each restaurant and in-depth sales analysis. This enables us to quickly identify underperforming restaurants and make timely operational adjustments. In addition, the performance indicators used in our digital "horse-racing" mechanism are automatically and periodically generated by our management system with minimal manual processing. This provides accurate "horse-racing" rankings across our restaurant network for our management team to efficiently evaluate and improve the overall performance of our restaurants.

We constantly explore the applications of advanced technologies such as AI to enhance operational efficiency and quality.

- *Quality control management*. We have established a comprehensive AI-empowered visual recognition system that enables us to monitor the operation of all of our restaurants in real time. This system allows us to ensure efficient and quality services are provided at our restaurants and make timely adjustments to the restaurant operations as necessary. For example, our AI-empowered visual recognition system can oversee the preparation of dishes in our restaurants through network cameras. Our system also tracks the inventory and expiration dates of food ingredients at our restaurants and pushes reminders to our restaurant staff.

- *Dining environment*. To optimize the dining environment for our customers and our costs of operation, we have applied IoT and installed sensors in our restaurants to collect real-time data of energy consumption and room temperature, which can be accurately monitored by our headquarters. Our system also automatically generates equipment maintenance reminders to our restaurants.

- *Customer feedback analysis*. Our AI-empowered system collects and collates customer feedback from third-party platforms, performs real-time semantic analysis and extracts relevant data for our menu iteration and optimization, precision marketing initiatives and risk control.

- *Business performance estimation*. Our AI-empowered system collects and organizes business data across multiple dimensions, including online and offline factors as well as the surrounding environment of each restaurant. By leveraging an extensive big data platform and AI models, the system estimates future business performance trends of our restaurants, refining our decisions in respect of ingredients ordering, food preparation and shift scheduling, achieving optimization of our resource allocation.

- *Marketing*. Our marketing department utilizes AI technologies to efficiently prepare and optimize promotional images to be used in our marketing initiatives.

- *Employee training*. Our employees have access to our knowledge bases powered by external AI models, which allow them to acquire relevant work-related knowledge intuitively and easily master the skills required in their respective positions.

USER PRIVACY AND DATA SAFETY

We are committed to complying with data protection and privacy laws and protecting data security.

In providing our offerings and services, we may access certain customer data. We clearly inform consumers of the scenarios and purposes for collecting their personal information through our privacy policy, which is presented prior to them logging into our membership system or accessing our WeChat and Alipay mini programs. Personal information is collected only with their explicit consent. The data we collect typically includes user codes, locations, and order information (including payment time, payment amount, payment method, and purchased dishes). For registered members, optional information such as nickname, mobile number, birthday, gender or delivery address may also be collected, but only if voluntarily shared by the member. In collecting and collating customer feedback from third-party platforms with our AI-empowered system, we do not collect any personal information.

We have implemented data protection policies and measures governing the collection, processing, storage, and usage of personal information. These policies include:

- **Data collection.** We conduct compliance assessments when collecting data with notifications to users and log records of the collection process.

- **Data processing.** We strictly process data in a manner that protects the legitimate rights of data subjects. We process data for a specific and reasonable purpose and limit our data processing activities to the minimum extent for achieving that purpose.

- **Data storage.** All information and data we received in the Chinese mainland have been stored and preserved within the Chinese mainland. After collecting information, we take appropriate measures, such as data encryption and de-identification processing, to ensure customer and consumer privacy and prevent data leakage.

- **Data usage.** We have clear and strict authorization and authentication procedures and policies in place. Our employees only have access to data that is directly relevant and necessary for their responsibilities and for limited purposes, and they are required to verify authorization upon every access attempt.

During the Track Record Period and up to the Latest Practicable Date, we had not received any third-party claim against us on the ground of infringement of the party's right to data protection as provided by any applicable laws and regulations. In addition, as advised by our PRC Data Compliance Advisor, during the Track Record Period and up to the Latest Practicable Date, we complied with the applicable laws and regulations regarding personal information privacy and data security in all material aspects.

COMPETITION

The Chinese noodle restaurant market is highly fragmented, with the top five players accounting for 2.9% market share in terms of GMV in 2024. This fragmentation presents significant opportunities for market consolidation. With the current landscape offering ample opportunities for strategic mergers, acquisitions, and organic chain expansion, established players can leverage economies of scale, streamline operations, and enhance supply chain efficiencies.

According to Frost & Sullivan, the total GMV of the Chinese noodle restaurant market in China had expanded from RMB183.3 billion in 2020 to RMB296.2 billion in 2024, at a CAGR of 12.7%. Looking forward, the growth of the Chinese noodle restaurant market is expected to accelerate further to reach the total GMV of RMB510.0 billion by 2029, at a CAGR of 10.9% from 2025 to 2029, based on further urbanization, increase in disposable income and increase in the proportion of consumers dining out in China. Within the Chinese noodle restaurant market, the total GMV of market of Chinese noodle restaurants specializing in Sichuan and Chongqing-style in China had expanded from RMB45.0 billion in 2020 to RMB72.7 billion in 2024, at a CAGR of 12.7%, and is expected to reach the total GMV of RMB135.7 billion by 2029, at a CAGR of 13.2% from 2025 to 2029.

We operate in this rapidly growing market, where key entry barriers include brand influence and recognition, integrated supply chain management capabilities, standardized and scalable operational management, product development expertise, and digitalized operational systems. We believe we are well-positioned to compete effectively, leveraging our strengths in these areas.

For more information on the competitive landscape of our industry, see "Industry Overview."

EMPLOYEES

As of December 31, 2022, 2023 and 2024, we had a total of 2,121, 2,620 and 1,443 employees, respectively. All of our employees are based in the Chinese mainland, Hong Kong SAR and Singapore. The table below sets forth our employees by function as of December 31, 2024.

Function	Number of Employees
Restaurant staff	1,138
Management and administrative staff	112
Operations Management	46
Marketing and branding	42
Information technology	29
Training and inspection	26
Supply chain management	20
Development and Expansion	20
Menu offerings development	10
Total	1,443

We may use third-party human resources companies from time to time to provide staff members to us in order to ensure sufficient staffing and efficient transfer of staff among different restaurants. We typically enter into agreements with such human resources companies for a period of one year. We usually require third-party human resources companies to pay the social insurance and housing provident funds for outsourced restaurant staff. Since 2023, we have expanded our initiative to engage and may continue to engage outsourced staff to better support our restaurant operations. As of December 31, 2024, we engaged 3,678 outsourced staff. During the Track Record Period and up to the Latest Practicable Date, we did not discover any third-party human resources companies that did not fulfill their obligations or had made material underpayments; neither had there been any disqualification of, or termination of collaboration with, third-party human resources companies due to incidents of non-compliance with relevant laws and regulations or breaches of agreements by them.

Our staff serves as one of the four pillars of the development of *Xiao Noodles*. Our success depends on our ability to attract, motivate and retain a sufficient number of qualified staff, in particular, restaurant managers. We offer our staff competitive compensation packages. Compensation for our staff includes base salary, bonuses and other benefits, such as employee meals. In 2022, 2023 and 2024 our staff costs amounted to RMB109.3 million, RMB175.2 million and RMB265.1 million, representing 26.1%, 21.9% and 23.0% of our revenue, respectively.

Recruitment, Retention and Training

We recruit our employees primarily through campus recruitment programs, recruitment advertisements, agencies, online platforms, and referrals. We attract and retain suitable personnel by offering competitive wages and benefits.

We enter into standard labor contracts with our employees. We also enter into non-compete and confidentiality agreements with senior management and key personnel. We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes.

We conduct comprehensive online and offline training programs for all employees. Upon onboarding, we provide comprehensive pre-employment training for new employees, emphasizing our values and professional standards. During daily operations we have set up a primarily online training system based upon our digital intelligence infrastructure. Through the integration of personnel development platform, knowledge base, E-learning platform, and the horse-racing mechanism, we are able to provide a standardized training program that efficiently cultivates talents across our restaurants. By promoting standardization across our operations, we ensure a seamless and enjoyable experience for our customers.

Social Insurance and Housing Provident Funds

Background

According to the relevant PRC Law, we are required to make contributions to social insurance and housing provident fund for the benefit of our employees in the Chinese mainland. During the Track Record Period and as of the Latest Practicable Date, we did not make full contribution to the social insurance and housing provident funds for some of our employees in accordance with the relevant PRC Law. The shortfall of social insurance and housing provident fund contributions amounted to approximately RMB11.7 million, RMB12.7 million and RMB5.3 million, in 2022, 2023 and 2024, respectively.

We were unable to make full social insurance and housing provident funds for the relevant employees, primarily because (i) similar to many other enterprises in the catering industry in the Chinese mainland, we hire an extensive team of employees with high turnover rate; (ii) certain employees were unwilling to pay the social insurance and housing provident fund contributions in full as it requires additional contributions from the employees; and (iii) certain employees prefer participation in the rural social security contribution plans in their residential places or their hometowns.

Potential Legal Consequences

As advised by our PRC Legal Advisor, pursuant to relevant PRC Law, (i) the under-contribution of social insurance within a prescribed period may be subject to an overdue charge of 0.05% of the delayed payment amount per day and the competent authority may further impose a fine of one to three times of the overdue amount if such payment is not made within the stipulated period; and (ii) in respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period. An application may be made to a people's court for compulsory enforcement if the payment of the outstanding housing provident fund contributions is not made after the expiration of the time limit. During the Track Record Period and up to the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance contributions and housing provident funds contributions, nor had we received any order or been informed to settle the deficit amount.

Remedial Measures

We have taken the following internal control measures to ensure compliance with the social insurance and housing provident fund contribution requirements under the relevant laws and regulations to the extent practicable:

- *Training*. Strengthen the training of our personnel, including training on various compliance-related topics for our employees;

- *Internal control measures*. Establish an internal control team to monitor our ongoing compliance with the social insurance and housing provident fund contributions regulations and oversee the implementation of any necessary measures;

- *Increasing awareness of developments in the law*. Regularly keep abreast of the latest developments in PRC Law relating to social insurance and housing provident funds; and

- *External counsel*. Consult external legal counsel for advice on relevant PRC Law.

Our PRC Legal Advisor has advised us that, according to the interviews with the relevant competent regulatory authorities, the likelihood that we would be subject to (i) centralized collection of historical shortfall of social insurance and housing provident fund contributions required by relevant government authorities on their initiative or (ii) material administrative penalties due to our failure to provide full social insurance and housing provident fund contributions during the Track Record Period for our employees is remote. We undertake to make timely payments for the deficient amount and overdue charges as soon as requested by the competent governmental authorities.

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 by the Ministry of Human Resources & Social Security, administrative enforcement authorities are prohibited from organizing and conducting centralized collection of enterprises' historical social insurance arrears without permission.

In view of the above, our Directors are of the view that such non-compliance did not and will not have a material adverse impact on our Group on the grounds that: (i) there were no material disputes between our employees and us regarding the social insurance or housing provident fund contributions during the Track Record Period and up to the Latest Practicable Date; (ii) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; (iii) as of the Latest Practicable Date, we had not received any notification from the relevant authorities in the Chinese mainland requiring us to pay shortfalls or the penalties with respect to social insurance and housing provident funds; and (iv) 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.

INSURANCE

As of the Latest Practicable Date, we maintained various insurance policies relating to our business operations, including public liability insurance to cover liability for damages arising out of our restaurant operations, property insurance to protect our business from certain natural disasters and other unfortunate events, and casualty insurance. We consider that the coverage from the insurance policies maintained by us is adequate for our present operations and is in line with industry norms.

INTELLECTUAL PROPERTY

Our intellectual property rights are key to our success and competitiveness. Our intellectual property rights primarily consist of trademarks, copyrights, patents and domain names. As of the Latest Practicable Date, we had 252 registered trademarks, 73 copyrights, six patents and seven domain names in the Chinese mainland as well as five registered trademarks in Hong Kong SAR. See "Appendix VI — Statutory and General Information — B. Further Information about our Business — 2. Our Material Intellectual Property Rights." We also protect our intellectual property rights through a series of confidentiality agreements or provisions with all of our employees. We clearly state all rights and obligations regarding the ownership and protection of intellectual properties in all employment agreements and commercial agreements we enter into.

In addition, we have taken the following key measures to protect our intellectual property rights: (i) implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights, (ii) deploying a special team to guide, manage, supervise and monitor our daily work regarding intellectual properties, (iii) timely registration, filing and application for ownership of our intellectual properties, and (iv) engaging professional intellectual property service providers.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any threatened or pending disputes relating to the infringement of intellectual property rights that would have a material adverse effect on our business. See "Risk Factors — We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business and operation."

PROPERTIES

Leased Properties

As of the Latest Practicable Date, we leased 339 properties in China with a total GFA of approximately 55,282.0 sq.m. primarily as our restaurants, warehouses and offices. Our leases generally have a term between four to six years. We are generally allowed to terminate lease agreements with a prior notice, which provides us with operational flexibility, albeit usually at the cost of forfeiting deposits and/or paying a termination fee.

The following table sets forth a breakdown of the number of leases by remaining term as of the Latest Practicable Date:

Remaining term	Number of leases
Less than one year	45
One to two years	62
Two to five years	179
More than five years	53

For leases with a remaining term of less than one year, if the premises align with our restaurant network planning, we typically initiate lease renewal negotiations with the lessors when there are approximately six months remaining. This proactive approach helps secure the retention of suitable locations for our restaurants.

Non-registration of Lease Agreements

As of the Latest Practicable Date, we had not completed lease registration for 317 of the properties we leased in China with an aggregate GFA of approximately 51,768.3 sq.m., representing approximately 93.6% of our total leased GFA, primarily due to the difficulty of procuring the relevant lessors' cooperation to register their leases. As the registration of a lease agreement requires the cooperation between the lessor and lessee and lessors are typically unwilling to undertake the administrative burden, we were not able to complete the registration of lease agreements mentioned above. We have adopted internal policies that (i) request our employees to proactively coordinate with lessors to complete the registration for all of our lease agreements and (ii) require our employees to complete the registration of lease agreements in instances in which lessors are willing to cooperate in such procedures.

As advised by our PRC Legal Advisor, the lack of registration for the lease contracts will not affect the validity of the lease contracts under PRC Law, and that the relevant authorities in the Chinese mainland may request us to complete the registration, and if we still fail to do so, we may be imposed a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements. The aggregate amount of maximum fine will be approximately RMB3.2 million, which our Directors believe will not have any material adverse impact on our business operations.

As of the Latest Practicable Date, in relation to the leased properties that had not completed lease registration, we have not been required by the relevant local housing administrative authorities to complete the registrations, nor been penalized or fined by the relevant authorities. In addition, we have been more stringent in terms of requiring our lessors to cooperate with us in registering our lease agreements with the relevant housing administrative authorities. Based on the foregoing, our Directors believe that the lack of registration for lease agreements does not constitute material nor systemic non-compliance of us, and the non-registration of lease agreements described above will not, individually or in the aggregate, materially affect our business and results of operation.

Absence of Valid Title Certificates

As of the Latest Practicable Date, lessors of 57 of our leased properties in China with an aggregate GFA of approximately 9,220.2 sq.m., representing approximately 16.7% of our total leased GFA, which are primarily used as restaurants, have not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. Our PRC Legal Advisor is of the view that we would not be subject to any administrative penalties with respect to these properties, but our leases may be affected if the lessors of the leased properties do not have the requisite rights to lease the relevant properties. However, where a dispute arises on the said leases, or we suffer a loss as a result of the said leases, we have a right to request a reduction in rent or refuse to pay rent or require the lessor to indemnify such losses under the lease agreements.

Our Directors believe that the likelihood of our business and results of operations being materially and adversely affected by these title defects is remote, considering that (i) as of the Latest Practicable Date, we have not been required to cease operations due to challenges from third-party rights holders against the lessors' right to lease that have resulted in a material adverse impact on our business, results of operations, or financial condition; (ii) it is unlikely that we would be subject to claims of rights from third parties with respect to a significant number of these leased properties at the same time, considering that these properties are geographically dispersed and are leased from different counterparties; and (iii) we maintain a pool of site candidates, and our Directors believe that we would be able to relocate to a different site without materially and adversely affecting our business and results of operations should we be required to do so.

Leased Properties with Usage Defects

As of the Latest Practicable Date, the actual use of eleven of our leased properties with an aggregate GFA of approximately 1,877.0 sq.m., representing approximately 3.4% of our total leased GFA, did not fit into the prescribed scope of usage shown on the relevant ownership certificates. Such leased properties with the prescribed scope of usage for commercial or industrial purposes were used as our restaurants.

According to the relevant provisions of the PRC Civil Code, any owner may not alter a residential property into a property used for business purposes by violating any law, regulation or stipulation on property management; where an owner intends to alter a residential property into a property used for business purposes, the owner shall, in addition to observing laws, regulations and stipulations on property management, obtain the consent of all other owners who are interested in the property. Meanwhile, in accordance with the relevant provisions of the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), any property whose use is altered in violation of relevant regulations may not be leased, for which any such alteration violating relevant regulations shall be ordered by the construction (real estate) administrative authority of a municipality directly under the Central Government, city or county to make corrections within a prescribed time limit, and if there is no illegal income, a fine of not more than RMB5,000 may be imposed thereon; if there is any illegal income, a fine of one to three times of the illegal income may be imposed thereon, subject to a cap of RMB30,000. Based on the above, our PRC Legal Advisor is of the view that we would not be subject to any administrative penalties, but may not be able to occupy and use such leased properties if the lease was challenged by any interested party or if the lessor was penalized by the competent government authority.

In view of the foregoing, our Directors are of the view that the abovementioned usage defects will not materially and adversely affect our business and results of operations on the grounds that: (i) to the best of our Directors' knowledge, our leases with respect to these defective leased properties had not been subject to claims or disputes in connection with the actual use of such leased properties during the Track Record Period and up to the Latest Practicable Date and (ii) we believe that we would be able to relocate to a different site relatively easily on comparable commercial terms and at similar prices with immaterial relocation costs should we be required to do so.

Lack of Requisite Approval for Certain Leased Properties

As of the Latest Practicable Date, with respect to 13 of our leased properties built on allocated land (劃撥用地) with an aggregate GFA of approximately 2,423.0 sq.m, representing approximately 4.4% of our total leased GFA, the lessors could not provide documents proving that the corresponding approval procedures for such properties leased to us had been completed.

As advised by our PRC Legal Advisor, properties on allocated land shall not be leased without authorization from relevant authorities. There is no guarantee that the lessors had obtained authorizations from the relevant land administration departments to lease the properties. If the lessors did not obtain the requisite approval for leasing such properties in accordance with the relevant laws and regulations, the validity of the relevant leasing contracts may be uncertain. In the event that we are not able to continue to use the leased properties, we consider that the leased properties can be replaced by other suitable properties on comparable commercial terms and at similar prices with immaterial relocation costs. In view of the foregoing, our Directors are of the view that such property defects do not have any material adverse impact on the operation of the Group.

For risks relating to our leased properties, see "Risk Factors — Risks Relating to Our Business and Industry — Our leased property interests may be defective and our lease agreements may not be registered, our right to lease the properties affected by such defects may be challenged, which could cause significant disruption to our business."

Internal Control Measures

To prevent recurrence of these potential defects in our leased properties, we have taken the following measures:

- Proactive approach and communication with our lessors. We designate our staff to proactively reach out to and communicate with lessors to obtain the relevant ownership certificates or proof of authorizations from property owners.

- Internal policies. We require all our lessors to provide the necessary documentation and valid title certificates before we enter into lease agreements with them and we will not enter into lease agreements for properties with title defects. Moreover, as part of our enhanced internal policies, our lease agreements are required to be registered with relevant authorities. Upon expiry of lease agreements, we will assess the legal risks and will not renew a lease agreement if the risk is too high.

As of December 31, 2024, none of the properties held or leased by us has a carrying amount of 15% or more of our consolidated total assets. Therefore, according to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document 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 requires a valuation report with respect to all our interests in land or buildings.

COMPLIANCE, LICENSES AND PERMITS

In accordance with the PRC Law, we are required to obtain various licenses and regulatory approvals to operate our business, such as the Food Business License (食品經營許可證) and the Certificate or Opinion for the Fire Safety Inspection of Public Gathering Places before the Use or Commencement of the Business Operations, if required by local authorities (公眾聚集場所投入使用、營業前消防安全檢查合格證/意見書) ("**Fire Safety Inspection Approval**"). For details, see "Regulatory Overview."

As advised by our PRC Legal Advisor, as of the Latest Practicable Date, we had complied with all relevant PRC Law in all material respects and had obtained all requisite licenses, approvals and permits from relevant authorities that are material for our operations in the Chinese mainland and such licenses, approvals and permits are valid and effective. During the Track Record Period and as of the Latest Practicable Date, all of our corporate-owned restaurants had obtained the necessary Food Business Licenses in accordance with the relevant PRC Law. The expiration dates of such Food Business Licenses range from June 17, 2025 to April 1, 2030. As of the Latest Practicable Date, neither our PRC Legal Advisor nor we have been informed of any legal impediment in renewing all material licenses, approvals and permits that have expired or are going to expire in 2025. As of the Latest Practicable Date, all of our corporate-owned restaurants that were in operation had obtained Fire Safety Inspection Approvals, where applicable.

LEGAL PROCEEDINGS

We may, from time to time, become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

ESG Governance

We have been taking and will continue to take effective measures to embrace ESG into every aspect of our business operations. To this end, we will establish a two-tier ESG governance framework, comprising of our Board and an ESG working group.

Our Board has accepted relevant ESG trainings and will take the overall responsibility for our ESG strategy and reporting. Our Board will be directly involved in setting up our overall ESG governance management policies, strategies, priorities and targets, reviewing our ESG policies on an annual basis to ensure its effectiveness, and fostering a culture of acting in accordance with our core ESG values.

Our ESG working group, consisting of our senior management and staff with a solid understanding of current and emerging ESG issues and our business, will directly report to the Board on ESG issues. Set forth below are the key responsibilities of our ESG working group:

- ensure that we abide by the latest ESG laws and regulations, including the applicable sections of the Listing Rules, and keep the Board informed of any changes in the laws and regulations and update our ESG policies accordingly;

- assess ESG risks on a regular basis according to applicable laws, regulations and policies, and formulate strategic plans and mitigating measures to ensure our responsibilities with respect to ESG matters are met;

- monitor local environmental, social, and climate changes in regions where we operate and take timely measures to mitigate the risks associated with volatile changes during our daily business operations;

- monitor the implementation of our ESG policies and engage third-party consultants to support us in fulfilling our ESG goals if the working group considers it necessary;

- identify our key stakeholders based on our business operations and understand the stakeholders' influences and dependence with respect to ESG matters;

- conduct compliance training for employees routinely;

- hold meetings on a regular basis to identify, assess, and manage our progress in achieving our key ESG targets; and

- prepare ESG report routinely, report to our Board on our ESG performance and the effectiveness of our ESG policy, and provide our Board with recommendations relating to ESG matters.

During the Track Record Period and as at the Latest Practicable Date, we have complied with all applicable PRC Law relating to social, health, safety, and environmental matters in all material respects. We have not been subject to any fines or other penalties due to violations of social, health, safety, or environmental laws and regulations.

Board and Management Levels Diversity

We have adopted a Board Diversity Policy which sets out the objective and approach to achieve and maintain the diversity of our Board. For more information about Board Diversity Policy, see "— Directors, Supervisors and Senior Management — Board Diversity." At present, our Board consists of one female Director and six male Directors, and female constitute approximately 27.3% of our Directors, Supervisors and senior management. After [**REDACTED**], we will periodically review the Board Diversity Policy to ensure its ongoing effectiveness.

Environmental Protection

Our operations are subject to various environmental protection laws and regulations related to air and noise pollution issued by national, provincial, and municipal governments in China. For details, see "Regulatory Overview." We fully recognize the critical importance of environmental protection and sustainable development. We require our employees to actively implement various environmental protection measures, including the prevention of air pollution, noise pollution, and water pollution.

Metrics and Targets

Our air emissions, greenhouse gas ("**GHG**") emissions, and resource usage statistics during the Track Record Period covered our Group's operation in China. The reporting scope is determined based on the significance of our ESG impact.

Air Emissions

The air emissions we generate primarily include nitrogen oxides ("**NOx**"), sulfur oxides ("**SOx**"), and particulate matter ("**PM**"), with the main source being emissions from vehicle use. The following table presents our air emissions data during the Track Record Period:

		For the year ended December 31,		
	Unit	**2022**	**2023**	**2024**
NOx	kg	44.6	44.3	42.7
SOx	kg	0.1	0.1	0.1
PM	kg	4.2	4.1	4.0

Note: Air emissions are calculated in accordance with "How to prepare an ESG Report — Appendix 2: Reporting guidance on Environment KPIs" issued by the Stock Exchange.

Despite the continuous expansion of our business, we strive to limit the use of company vehicles and encourage greater reliance on public transportation. As a result, there has not been a significant change or increase in trends of our air emissions during the Track Record Period. Looking forward, we will continue to focus on controlling vehicle emissions and enhancing our environmental sustainability efforts. We are committed to maintaining the current emission intensity or reducing emissions of NOx, SOx, and PM by 5% for the year ending December 31, 2026 with the baseline year ended December 31, 2024.

GHG Emissions

During the Track Record Period, the GHG emissions primarily originate from Scope 1 direct emissions generated using company vehicles and Scope 2 indirect GHG emissions associated with the consumption of purchased electricity. The following table sets forth the GHG emissions performance during the Track Record Period:

		For the year ended December 31,		
	Unit	**2022**	**2023**	**2024**
Scope 1 Direct GHG Emissions – Petrol	tCO_2e	14.4	14.3	13.8
Scope 2 Indirect GHG Emissions – Purchased electricity	tCO_2e	11,926.8	21,020.9	33,420.5
Total GHG Emissions	**tCO_2e**	**11,941.2**	**21,035.2**	**33,434.3**
Total GHG Emissions Intensity	**tCO_2e/number of operating restaurants at the end of the year**	**70.2**	**83.5**	**92.9**

Notes:

1. GHG emissions data is presented in carbon dioxide equivalent (CO_2e) and is calculated with reference to guidelines including, but not limited to, the "Notice on Carrying Out GHG Emission Reporting and Verification for Key Industry Enterprises from 2023 to 2025" (關於做好2023-2025年部分重點行業企業溫室氣體排放報告與核查工作的通知) issued by the Ministry of Ecology and Environment of the PRC.

2. As at December 31, 2022, 2023 and 2024, the Group's operating restaurants were 170, 252, and 360 respectively (including corporate-owned and franchised restaurants). This data will also be used for calculating other intensity data.

Our overall GHG emissions have shown a slight upward trend. This includes efforts to reduce the usage of company vehicles, which has led to a minor decrease in Scope 1 emissions in 2024. However, Scope 2 emissions from purchased electricity have risen, primarily due to the increase in the number of restaurants, resulting in higher overall electricity consumption and an increase in total GHG emissions and its intensity.

Looking forward, we are committed to implementing measures to control our GHG emissions and enhance our sustainability initiatives. We will continue to monitor the relevant GHG data, identify potential reduction opportunities where applicable, and implement emission reduction measures. See "— Environmental, Social and Corporate Governance — Environmental Protection Initiatives — Energy Conservation and Emissions Reduction." We strive to reduce our total GHG emissions intensity by 5% for the year ending December 31, 2026 with the baseline year ended December 31, 2024.

Waste Management

To mitigate the impact of waste, we conduct waste collection and sorting in accordance with relevant PRC laws and regulations. The sorted waste is subsequently collected and processed by the relevant urban sanitation departments, with all processes adhering to applicable environmental protection standards. Given our business nature, our operations do not produce hazardous waste. For non-hazardous waste, we generate food waste in our daily operations. Such waste is managed by a third-party service provider, and as a result, we do not maintain specific data records. The table below sets forth our waste disposal costs for the Track Record Period.

		For the year ended December 31,		
	Unit	2022	2023	2024
Environmental Compliance Cost – Waste Disposal	**thousands of RMB**	**873.4**	**952.8**	**1,438.6**

The increase in environmental compliance costs related to waste disposal above is primarily attributed to the growth in the number of our restaurants during the Track Record Period. We have implemented clear waste disposal guidelines and provided training for employees on how to identify, collect, store, and manage waste. The guidelines included three procedures for handling food waste, namely dry waste processing, organic waste processing, and bamboo stick waste processing. For dry waste, segregation occurs at the point of generation, followed by storage in designated containers until collection by a third-party service provider. Organic waste is initially separated from other waste types, thoroughly cleaned to remove contaminants, and then placed in designated containers for collection. Bamboo stick waste is also collected separately, stored in a designated area to maintain hygiene, and regularly collected for appropriate disposal or recycling. These procedures are designed to ensure compliance with environmental regulations, minimize the environmental impact of food waste, promote strong corporate environmental awareness and reduce our overall environmental impact.

Energy Consumption

Our energy consumption primarily comes from direct energy consumption by company vehicles and indirect energy consumption from purchased electricity. The following table sets forth our energy consumption during the Track Record Period:

		For the year ended December 31,		
	Unit	2022	2023	2024
Direct Energy Consumption – Petrol	MWh	52.3	52.0	50.0
Indirect Direct Energy Consumption – Purchased Electricity	MWh	20,913.1	36,859.4	58,687.5
Total Energy Consumption	**MWh**	**20,965.4**	**36,911.4**	**58,737.5**
Total Energy Consumption Intensity	**MWh/number of operating restaurants at the end of the year**	**123.3**	**146.5**	**163.2**

Note: The method for converting the units of direct energy consumption data is based on the "Energy Statistics Manual" issued by the International Energy Agency.

Our trend in energy consumption closely mirrors that of our GHG emissions, showing an upward trend. The changes in direct energy consumption from company vehicles' petrol usage and the indirect energy consumption from purchased electricity align with the reasons for the variations in GHG emissions. Specifically, efforts to reduce the use of company vehicles have led to a minor decrease in direct energy consumption in 2024. However, the increase in the number of restaurants has resulted in higher total electricity consumption, contributing to an overall rise in energy consumption and its intensity.

We use monthly average electricity consumption per restaurant as a key performance indicator in the daily management of our restaurants. In 2022, 2023, and 2024, our monthly average electricity consumption per restaurant was 11,922.1 kWh, 15,552.0 kWh, and 15,061.8 kWh, respectively. Looking forward, we are dedicated to implementing measures to control energy consumption and enhance our sustainability initiatives. See "— Environmental, Social and Corporate Governance — Environmental Protection Initiatives — Energy Conservation and Emissions Reduction." We strive to reduce our total energy consumption intensity by 5% for the year ending December 31, 2026 with the baseline year ended December 31, 2024.

Water Consumption

Our primary water consumption stems from daily restaurant operations. Our main water source is municipal tap water, and consequently, we do not face any issues in obtaining suitable water sources. We promote water conservation concepts to our employees, post water-saving reminders in all water usage areas, and conduct periodic inspections to conserve water resources. The following table sets forth our water usage during the Track Record Period:

		For the year ended December 31,		
	Unit	**2022**	**2023**	**2024**
Total Water Consumption	m^3	212,822.3	326,868.2	507,232.9
Total Water Consumption Intensity	m^3/number of operating restaurants at the end of the year	1,251.9	1,297.1	1,409.0

Due to our ongoing expansion and opening of new restaurants during the Track Record Period, there had been an upward trend in water consumption and its intensity. We are committed to implementing effective water management strategies to control and reduce water usage, ensuring a sustainable approach to our operations.

We use monthly average water consumption per restaurant as a key performance indicator in the daily management of our restaurants. In 2022, 2023, and 2024, our monthly average water consumption per restaurant was 131.1 m^3, 152.0 m^3, and 129.6 m^3, respectively. We strive to reduce our water consumption intensity by 5% for the year ending December 31, 2026 with the baseline year ended December 31, 2024.

Environmental Protection Initiatives

To meet our targets, we implement various measures to reduce the resource consumption and stay compliant with respect to ESG matters.

Energy Conservation and Emissions Reduction

We are committed to enhancing energy efficiency and reducing emissions across all our restaurants and offices through the implementation of targeted measures. These include:

- *Optimizing Vehicle Usage*: We strive to improve vehicle efficiency by minimizing unnecessary travel and conducting regular vehicle maintenance to enhance performance.

- *Electricity Management*: We utilize energy-efficient and recyclable lighting options. We conduct regular checks of electricity usage.

- *Water Management*: We implement effective water conservation measures to minimize waste and promote sustainability.

- *Waste Management*: We conduct waste collection and sorting in accordance with relevant PRC Law. The sorted waste is subsequently collected and processed by the relevant urban sanitation departments, with all processes adhering to applicable environmental protection standards. We advocate for a paperless office environment.

- *Employee Engagement*: We encourage all employees to turn off electrical devices when leaving their workspace and maintain office temperatures at 25.5 degrees Celsius or higher. Informative signage and reminders help foster energy-saving habits among staff.

By integrating these practices into our operations and adhering to our policy, we reinforce our dedication to sustainable practices and continuous improvement. Through these efforts, we aim to create a positive impact on the environment and uphold our commitment to corporate social responsibility.

Climate-related Risks

Climate change impacts not only our environment but also the Group's operational stability. Effectively identifying and managing associated risks and opportunities is vital for our business. In line with the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), we have evaluated two primary categories of climate-related risks:

(i) Physical Risks — Direct physical impacts from extreme weather events and long-term climate changes.

(ii) Transition Risks — Costs and risks associated with policy, legal, technological, and market changes.

The primary physical risks affecting us stem from acute climate disaster events such as heavy rainfall. These extreme events may impact employee safety, work environments, health, and our daily business operations. We proactively identify and assess climate risks and opportunities, integrating climate change risk identification, adaptation, and mitigation into our decision-making processes.

Transition risks primarily relate to the shift towards a low-carbon economy, encompassing changes in policies, laws, technology, and markets. With evolving environmental regulations and legislation, we may face increased compliance costs and operational litigation risks. Failure to comply with all environmental laws and regulations, or allegations of environmental protection negligence, could result in potential fines, penalties, or even forced operational suspension. Moreover, such events could adversely affect our reputation and reduce market competitiveness. To address these transition risks, we assess their likelihood and impact, integrating them into our overall risk assessment and management processes. We closely monitor trends in climate-related regulatory requirements and potential transition risk policies, striving to mitigate their impact on our operations.

During the Track Record Period, due to our effective internal controls, we did not identify any significant adverse impacts from climate-related events.

Corporate Governance

We are committed to promoting sustainable corporate governance and integrating it into all major aspects of our business operations.

Food Safety: Maintaining the highest standards of food safety and quality is of paramount importance to us. We have established comprehensive food safety systems that span the entire business process to ensure the safety and quality of all our menu offerings.

- *Procurement*. Our procurement process includes rigorous reviews of new suppliers to ensure full compliance with applicable regulations. Sample testing is conducted to verify that supplies meet national quality and safety standards. A raw material inspection and management system enables regular safety checks throughout food production. If any non-compliance is detected, the responsible employee is promptly notified to implement corrective actions within a specified timeframe. Follow-up inspections are conducted to verify compliance and improvements.

- *Restaurants operation*. In our restaurants, we have established clear inspection procedures for food ingredient reception, covering storage requirements, shelf-life monitoring, usage durations, and proper handling methods. A facility and equipment management system ensures that restaurant environments are clean, safe, and conducive to a pleasant dining experience. Our inspection team oversees regular inspections, ensuring compliance with food safety practices at all locations. Food safety is integrated into our performance review of our restaurants as part of our horse-racing mechanism.

- *Employee Training and Accountability.* To ensure all employees possess the necessary food safety knowledge, we have implemented mandatory training and assessment systems. Employees must complete comprehensive food safety training before assuming their roles, with annual refresher courses to reinforce their knowledge of food laws, regulations, and best practices.

Supply Chain: We have established rigorous mechanisms and policies to identify, evaluate, and manage environmental and social risks throughout our supply chain.

- *Strict Admission Standards*. We implement stringent admission procedures for suppliers to ensure they meet our high standards. Suppliers must undergo comprehensive sample testing and verification of qualification documents. A preliminary assessment is conducted based on key criteria, including pricing, quality and safety of products, market reputation, financial conditions, qualifications and production capacities.

  This is followed by a thorough review by our procurement team. Suppliers are only added to our approved supplier list after successfully passing food safety audits and service capability assessments.

  If issues arise with a supplier's products, we follow standardized procedures to address them. This includes verifying concerns with relevant employees, notifying the supplier to resolve the problem, and closely monitoring progress to ensure effective and timely resolution.

- *Periodic Assessments*. We conduct monthly performance evaluations of suppliers based on their performance across key criteria such as product quality, delivery timeliness, order fulfilment, pricing, and service reliability.

  Suppliers found to be involved in unresolved quality issues, fraudulent activities, or unlawful conduct — such as contract violations, deception, or bribery resulting in severe consequences — will be permanently removed from our supplier pool.

- *Product Management*. To uphold product quality and food safety, we have implemented a standardized raw material inspection and management system. This includes regular reviews and inspections of incoming goods, such as verification of testing reports and pesticide residue analyses. These measures ensure that all supplies meet our stringent standards before entering the production process.

After [**REDACTED**], we will continuously improve on our measures through collaboration with professional ESG consultants. Our Company will conduct regular reviews of these material issues and update their effectiveness based on the constantly changing business environment and our Company's business strategy.

Corporate Social Responsibility

Employee Well-being

We firmly believe that human resources are our most valuable asset and the foundation for sustainable corporate development. Therefore, we are committed to improving our employment system to attract, nurture, and retain talent. We adhere to a people-centric governance approach and have established an employee handbook, Annual Performance Evaluation Form, Interview Evaluation Form, Salary Grading Table, Salary Distribution System, Leave Management System, Restaurant Attendance Management System, to ensure the protection of employees' rights. These policies standardize employment practices and ensure that employees clearly understand their rights and responsibilities while respecting and safeguarding the legal rights of each employee. These systems cover rights protection in areas such as recruitment, training, compensation, promotion, working hours, resignation, and other benefits. We will continuously improve our talent policies and welfare measures, establish effective employee communication mechanisms, and focus on work-life balance. This approach aims to strengthen employees' sense of belonging and motivation, jointly promoting the company's sustainable and healthy development. For details, see "— Employees."

Our recruitment process strictly adheres to principles of fairness, impartiality, and transparency, providing equal opportunities to individuals of diverse backgrounds, cultures, and genders. We firmly oppose discrimination and prohibit all forms of discriminatory practices. As of December 31, 2024, the gender distribution of our employees were approximately 48.7% male and 51.3% female.

We strictly prohibit any form of child labor or forced labor in our operations. If suspected cases of child or forced labor are discovered, our human resources department will promptly communicate with relevant personnel to address the issue. We commit to thoroughly investigating all reports and taking appropriate corrective and disciplinary measures to protect employees' rights and ensure a safe work environment. All our employees meet the minimum working age requirements set by national laws and regulations. During the Track Record Period, we have not encountered any incidents of child or forced labor.

We are dedicated to continuously improving our human resource management practices to ensure an adequate talent pipeline while fully protecting employee rights and providing a positive work environment with growth opportunities.

Occupational Health and Safety

During the Track Record Period and up to the Latest Practicable Date, we had strictly complied with all occupational health and safety-related laws and regulations in China in all material aspects. Our Group is dedicated to implementing safety measures that ensure a safe and healthy workplace for all employees. We provide essential information, instruction, and supervision to protect employees from injury, health risks, and anti-fraud concerns.

During the Track Record Period, we did not experience any significant safety incidents or work-related fatalities. All reported injuries were minor and were addressed appropriately. We have also established internal procedures for handling various types of work-related injuries to safeguard our employees.

We will regularly educate and remind employees about the importance of occupational health and safety in accordance with relevant work safety guidelines to prevent similar incidents from occurring. Through training, various forms of communication, emergency drills, and regular safety inspections, we provide our employees with the latest information on occupational safety and emergency response.

Charity

In 2023, we launched the "Baobao Meal Charity Program (寶寶餐公益計劃)." For every charity meal sold, RMB0.1 is allocated to charitable causes. As of December 31, 2024, cumulative sales volume of charity meal reached approximately 1.38 million, generating approximately RMB138,000 in charitable funds. In 2023, we jointly held a painting competition with Orange Public Welfare (桔子公益) and assembled a mosaic of outstanding pieces to raise public awareness about left-behind children.

Commemorating the founding team's alma mater and supporting educational development, we partnered with South China University of Technology to establish the "Campus Construction Fund" and the "Innovation and Entrepreneurship Public Welfare Fund". In 2024, we donated RMB600,000 and plan to donate RMB3.0 million over a period of five years.

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 [**REDACTED**], we have adopted or will continue to adopt, among other things, 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. Chan Kwok Bun (陳國彬), who serves as chairman of committee, Mr. Xu Lei (徐雷) and Mr. Zhong Jiesheng (鍾杰生). For the qualifications and experience and experience of these committee members, see "Directors, Supervisors and Senior Management — Directors;"

- We have adopted various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure; and

- 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 [**REDACTED**] in Hong Kong SAR.

In addition, we plan to engage 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 on an annual basis. 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.

Our Directors are of the view that our enhanced internal control system is adequate and effective for our current operations.

DIRECTORS

Our Board currently consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth certain information regarding our Directors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as our Director	Roles and responsibilities	Relationships with other Directors, Supervisors or senior management members
Mr. Song Qi (宋奇) . . .	38	Chairman of our Board, executive Director and chief executive officer	February 14, 2014	February 14, 2014	Formulating the overall development strategy of our Group and supervising our Group's operations	Spouse of Ms. Luo
Mr. Su Xuxiang (蘇旭翔) . .	37	Executive Director and vice president	February 14, 2014	February 14, 2014	Overseeing our Group's marketing, branding and information technology	Cousin of Ms. Zhang Qi (張琦), our Supervisor
Ms. Luo Yanling (羅燕靈) . .	40	Executive Director and vice president	February 14, 2014	April 1, 2025	Overseeing our Group's supply chain, food safety, menu development and the formulation of operational standards	Spouse of Mr. Song
Mr. Wang Xiaolong (王小龍) . .	49	Non-executive Director	November 28, 2016	November 28, 2016	Providing professional advice and making recommendations to our Board	None
Mr. Xu Lei (徐雷) . . .	50	Independent non-executive Director	April 1, 2025	April 1, 2025	Providing independent advice and judgment to our Board	None
Mr. Chan Kwok Bun (陳國彬) . .	53	Independent non-executive Director	April 1, 2025	April 1, 2025	Providing independent advice and judgment to our Board	None
Mr. Zhong Jiesheng (鍾杰生) . .	52	Independent non-executive Director	April 1, 2025	April 1, 2025	Providing independent advice and judgment to our Board	None

Executive Directors

Mr. Song Qi (宋奇), aged 38, is the chairman of our Board, an executive Director and the chief executive officer of our Company. He has served as an executive Director since February 2014. Mr. Song is primarily responsible for formulating the overall development strategy of our Group and supervising our Group's operations.

From November 2011 to May 2012, Mr. Song worked at Yum! Restaurants (Guangdong) Co., Ltd. (百勝餐飲(廣東)有限公司), a company primarily engaged in the operation of chain restaurants, including brands such as KFC and Pizza Hut, and was responsible for the expansion and development of its restaurants. From October 2010 to June 2011, Mr. Song was responsible for managing restaurant operations at MHK Restaurants Limited (formerly known as McDonald's Restaurants (Hong Kong) Limited (麥當勞有限公司)), a company incorporated in Hong Kong primarily engaged in the food and beverage sector.

Mr. Song obtained his master's degree in mechanical engineering from The Hong Kong University of Science and Technology in November 2009 and his bachelor's degree in materials science and engineering from the South China University of Technology in China in July 2008.

Mr. Su Xuxiang (蘇旭翔), aged 37, is our executive Director and vice president. He has served as an executive Director since February 2014. He is primarily responsible for overseeing our Group's marketing, branding and information technology. Mr. Su also serves as the supervisor, director and/or manager of several subsidiaries in our Group.

From July 2011 to January 2012, Mr. Su worked at Johnson & Johnson (Shanghai) Medical Devices Co., Ltd. (強生(上海)醫療器材有限公司), a company primarily engaged in medical technology. From August 2010 to June 2011, he worked at C&D (Guangzhouu) Co., Ltd. (建發(廣州)有限公司), a company primarily engaged in the provision of supply procurement and other consulting services.

Mr. Su obtained his bachelor's degree in polymer materials and engineering from the South China University of Technology in China in July 2010.

Ms. Luo Yanling (羅燕靈), aged 40, is our executive Director and vice president. She co-founded our Group in February 2014, has served as our vice president since July 2015 and was appointed as our executive Director in April 2025. She is primarily responsible for overseeing our Group's supply chain, food safety, menu development and the formulation of operational standards.

Prior to joining our Group, from June 2009 to June 2015, Ms. Luo served as a business representative of Cluster Technology Limited, a company primarily engaged in the provision of computing technologies.

Ms. Luo obtained her master's degree in telecommunications from The Hong Kong University of Science and Technology in November 2009 and her bachelor's degree in information engineering from the South China University of Technology in China in July 2007.

Non-executive Directors

Mr. Wang Xiaolong (王小龍), aged 49, is our non-executive Director. He has served as the deputy chairman of our Board since November 2016 and was re-designated as our non-executive Director in April 2025. He is primarily responsible for providing professional advice and making recommendations to our Board.

Mr. Wang has been consistently focusing on investment in the consumer and retail sector during the past 20 years, with a particular emphasis on subsectors of retail, fast-moving consumer goods, catering and fast-food franchises. Since August 2016, Mr. Wang has served as an executive director of Best Food Holding Company Limited (百福控股有限公司) ("**Best Food**"), a company primarily engaged in the operation of, and investment in, food and beverage brands, the shares of which are listed on the Stock Exchange (stock code: 1488). Since August 2019, he has also served as the chief executive officer of Best Food. In July 2003, Mr. Wang joined Beijing Hony Yuanfang Investment Consulting Co., Ltd. (北京弘毅遠方投資顧問有限公司) ("**Beijing Hony**"), a company engaged in management consultancy, investment consultancy and business information consultancy. As of the Latest Practicable Date, Mr. Wang served as a managing director of Beijing Hony.

In March 2025, Mr. Wang was recognized as a 2025 Big Consumer Investment Figure of the Year (2025大消費年度投資人物) in China by Frost & Sullivan. In 2024, Mr. Wang received the Best CEO Award (最佳CEO獎) at The 9th Zhitong Caijing Capital Market Annual Conference. From 2021 to 2023, while Mr. Wang served as the chief executive officer of Best Food, Best Food was awarded the China Catering Industry Red Bull Award — Top 10 Investment Institutions in the Catering Industry (中國餐飲產業紅牛獎 — 餐飲產業投資機構TOP10) for three consecutive years.

Mr. Wang obtained his master's degree in business administration from Tsinghua University in China in July 2004 through an international MBA program co-developed by the Massachusetts Institute of Technology and Tsinghua University.

Independent non-executive Directors

Mr. Xu Lei (徐雷), aged 50, was appointed as our independent non-executive Director in April 2025. He is primarily responsible for providing independent advice and judgment to our Board.

Mr. Xu has extensive experience in corporate and business management. From April 2022 to May 2023, Mr. Xu was an executive director of JD.com, Inc. ("**JD.com**"), a company primarily engaged in the provision of supply chain-based technology and services, the shares of which are listed on the Stock Exchange (stock code: 9618) and the NASDAQ Stock Market (stock code: JD). From December 2021 to May 2023, he was a director of Yonghui Superstores Co., Ltd. (永輝超市股份有限公司), a company primarily engaged in the operation of supermarkets in China, the shares of which are listed on the Shanghai Stock Exchange (stock code: 601933). From June 2020 to August 2022, he served as a director of Dada Nexus Limited, a company primarily engaged in the operation of a local on-demand retail and delivery platform in China, the shares of which are listed on the NASDAQ Stock Market (stock code: DADA). From June 2019 to April 2022, he served as a non-executive director of JD Health International Inc., a company primarily engaged in the provision of healthcare services, the shares of which are listed on the Stock Exchange (stock code: 6618). From June 2019 to September 2022, he served as a director of ATRenew Inc., a company primarily engaged in the operation of a pre-owned consumer electronics transactions and services platform in China, the shares of which are listed on the New York Stock Exchange (stock code: RERE).

From January 2009 to May 2023, Mr. Xu held various senior roles in JD.com including head of marketing department, head of JD Wireless, chief marketing officer of JD.com, chief executive officer of JD.com's retail business, president of JD.com and chief executive officer of JD.com. Prior to joining JD.com, Mr. Xu served as its marketing consultant in May 2007.

Mr. Xu was named among the "50 Most Influential Business Leaders in China" in two consecutive years by Fortune China and was also named by China Entrepreneur magazine as one of the "25 Most Influential Business Leaders" in 2022. In June 2019, Mr. Xu was conferred the qualification of senior economist in the speciality of enterprise management.

Mr. Xu obtained his master's degree in business administration from the China Europe International Business School in China in June 2013.

Mr. Chan Kwok Bun (陳國彬), aged 53, was appointed as our independent non-executive Director in April 2025. He is primarily responsible for providing independent advice and judgment to our Board.

With over 30 years of experience in management, finance, strategic planning and a strong background in information technology, Mr. Chan has held management positions throughout his career with prestigious multinational companies. Most recently, for over seven years from July 2017 to November 2024, he was the chief financial and technology officer at MHK Restaurants Limited (formerly known as McDonald's Restaurants (Hong Kong) Limited (麥當勞有限公司)), a company incorporated in Hong Kong primarily engaged in the food and beverage sector, where he oversaw financial and technological transformation, driving both operational efficiency and innovation.

From February 2015 to May 2017, he worked at Maersk Hong Kong Limited ("**Maersk**"), a company primarily engaged in shipping and supply chain management, with his last position being the chief financial officer of Asia Pacific Finance. At Maersk, he was responsible for financial strategies that supported Maersk's operations across the Asia Pacific Region. His management experience also includes his tenure from March 2008 to January 2015 as the finance and IT director at Volkswagen Hong Kong Limited and from January 2013 to January 2015 as the group finance director at Volkswagen Group Hong Kong Limited, where he led various projects relating to car dealership.

Earlier in his career, from January 2004 to February 2008, he worked at Hongkong International Theme Parks Limited (香港國際主題樂園有限公司), a joint venture between The Walt Disney Company and the Hong Kong SAR Government, which manages the Hong Kong Disneyland Resort, with his last position as the manager of pricing, revenue, and profit management line of business. Mr. Chan started his career as a group management trainee with the John Swire & Sons (H.K.) Limited of The Swire Group back in September 1994.

Mr. Chan has been a member of the Hong Kong Institute of Certified Public Accountants since May 2003, has been a member of the Hong Kong University of Science and Technology MBA Alumni Advisory Board since 2012, was awarded a diploma in company direction by The Hong Kong Institute of Directors in June 2017 and completed the Asian International Executive Programme at INSEAD in Singapore in November 2011.

Mr. Chan obtained his master's degree in business administration from The Hong Kong University of Science and Technology in November 2000 and obtained his bachelor's degree in social science from the Chinese University of Hong Kong in December 1994.

Mr. Zhong Jiesheng (鍾杰生), aged 52, was appointed as our independent non-executive Director in April 2025. He is primarily responsible for providing independent advice and judgment to our Board.

Mr. Zhong has close to 30 years of experience in corporate management. Since July 2022, Mr. Zhong has served as a supervisor of Shanghai Aonling Enterprise Management Co., Ltd. (上海昂瓴企業管理有限公司), a company primarily engaged in corporate management consulting. Since October 2021, he has served as an executive director of Shanghai Baoju Enterprise Management Consulting Co., Ltd. (上海寶琚企業管理諮詢有限公司), a company primarily engaged in corporate management consulting. Since December 2024, he has served as the chairman of the supervisory committee of Chengdu Macko Macromolecule Materials Co., Ltd. (成都邁科高分子材料股份有限公司) ("**Chengdu Macko**"), a company primarily engaged in the provision of new polymer materials and technology, the shares of which are listed on the National Equities Exchange and Quotations (stock code: 836843). Since August 2021, he has served as an executive director of Shanghai Shenyoucheng Enterprise Management Co., Ltd. (上海申友成企業管理有限公司), a company primarily engaged in corporate management consulting.

From July 2022 to May 2024, Mr. Zhong served as a non-executive director of Plus Group Holdings Inc., a company primarily engaged in the provision of sales and marketing services for fast-moving consumer goods brand owners and distributors, the shares of which are listed on the Stock Exchange (stock code: 2486). From September 2015 to July 2021, he served in various positions, including consultant, director and general manager, at Chengdu Macko. From July 1995 to June 2015, he worked in the customer business development department of Procter & Gamble (Guangzhou) Ltd. (廣州寶潔有限公司). He has served as the sales general manager of Procter & Gamble Hong Kong Limited in Hong Kong and worked at The Procter & Gamble Company ("**P&G**") in the United States. P&G is a multinational consumer goods company, the shares of which are listed on the New York Stock Exchange (stock code: PG).

Mr. Zhong obtained his bachelor's degree in computer software from Sichuan University in China in July 1995.

SUPERVISORS

Our supervisory committee consists of three supervisors. All of our Supervisors meet the qualification requirements under relevant PRC Law for their positions. The following table sets forth certain information regarding our Supervisors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as our Supervisor	Roles and responsibilities	Relationships with other Directors, Supervisors or senior management members
Ms. Qin Yan (秦燕) . . .	40	Chairwoman of our supervisory committee	February 22, 2021	September 7, 2023	Presiding over the work of our supervisory committee, supervising and monitoring the performance of our Board	None
Mr. Peng Yue (彭躍) (formerly named Peng Nianyue (彭年躍)) .	48	Supervisor	May 5, 2017	September 7, 2023	Supervising and monitoring the performance of our Board	None
Ms. Zhang Qi (張琦) . . .	30	Supervisor	March 14, 2016	November 28, 2016	Supervising and monitoring the performance of our Board	Cousin of Mr. Su

Ms. Qin Yan (秦燕), aged 40, was appointed as our Supervisor in September 2023 and is the chairwoman of our supervisory committee. She joined our Group in February 2021 and has served as our senior finance manager since then. She is primarily responsible for presiding over the work of our supervisory committee, supervising and monitoring the performance of our Board.

Prior to joining our Group, from March 2014 to October 2020, Ms. Qin served as the finance manager of Guangzhou Huasheng Enterprise Management Services Co., Ltd. (廣州華勝企業管理服務有限公司), a company primarily engaged in the provision of automobile repair services. From January 2008 to February 2014, she worked at Guangzhou Night Sky Rainbow Optoelectronics Technology Co., Ltd. (廣州市夜空彩虹光電科技有限公司), a company primarily engaged in the provision of lighting design and lighting engineering services.

Ms. Qin obtained an Intermediate Level Accounting Qualification Certificate issued by the Human Resource and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) in January 2014.

Ms. Qin obtained her bachelor's degree majoring in accounting from Sun Yat-sen University in China in July 2016 through online learning.

Mr. Peng Yue (彭躍) (formerly named Peng Nianyue (彭年躍)), aged 48, was appointed as our Supervisor in September 2023. He joined our Group in May 2017 and has served as our research and development director since then. He is primarily responsible for supervising and monitoring the performance of our Board and managing our Group's research and development.

Prior to joining our Group, from September 2007 to August 2017, Mr. Peng served as the head of the research and development department of Beijing Xidan Spice Spirit Catering Co., Ltd. (北京市西單麻辣誘惑餐飲有限公司), a company primarily engaged in the restaurant industry.

Ms. Zhang Qi (張琦), aged 30, was appointed as our Supervisor in November 2016. Ms. Zhang joined our Group in March 2016 and currently serves as our finance manager. She is primarily responsible for supervising and monitoring the performance of our Board. Ms. Zhang also serves as the supervisor, director and/or manager of several subsidiaries in our Group.

Ms. Zhang obtained her college diploma from the Guangdong Polytechnic Institute in China in June 2016.

SENIOR MANAGEMENT

Our executive Directors and senior management are responsible for the day-to-day management and operation of our business. For information concerning our executive Directors, see "— Directors — Executive Directors." The table below sets out certain information regarding our senior management:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationships with other Directors, Supervisors or senior management members
Mr. Song Qi (宋奇) . . .	38	Chairman of our Board, executive Director and chief executive officer	February 14, 2014	February 14, 2014	Formulating the overall development strategy of our Group and supervising our Group's operations	Spouse of Ms. Luo
Mr. Su Xuxiang (蘇旭翔) . .	37	Executive Director and vice president	February 14, 2014	February 14, 2014	Overseeing our Group's marketing, branding and information technology	Cousin of Ms. Zhang Qi (張琦), our Supervisor
Ms. Luo Yanling (羅燕靈) . .	40	Executive Director and vice president	February 14, 2014	July 1, 2015	Overseeing our Group's supply chain, food safety, menu development and the formulation of operational standards	Spouse of Mr. Song
Mr. Xu Zhi (許智) . . .	36	Chief financial officer and vice president	October 14, 2020	October 14, 2020	Managing our Group's finances, human resources, legal affairs and commercial analysis	None

Mr. Song Qi (宋奇), aged 38, is the chairman of our Board, an executive Director and the chief executive officer of our Company. See "— Directors — Executive Directors" for his biographical details.

Mr. Su Xuxiang (蘇旭翔), aged 37, is our executive Director and vice president. See "— Directors — Executive Directors" for his biographical details.

Ms. Luo Yanling (羅燕靈), aged 40, is our executive Director and vice president. See "— Directors — Executive Directors" for her biographical details.

Mr. Xu Zhi (許智), aged 36, is our chief financial officer and vice president. Mr. Xu joined our Group in October 2020 as our finance director and was promoted to vice president and chief financial officer in March 2022. He is primarily responsible for managing our Group's finances, human resources, legal affairs and commercial analysis.

Prior to joining our Group, from April 2020 to October 2020, Mr. Xu served as the vice president of finance of Guangzhou Guangfeng Jiyue Digital Technology Co., Ltd. (廣州光風霽月數字科技有限公司), a company primarily engaged in the provision of technical services, and was responsible for overseeing its financial and legal affairs. From June 2019 to January 2020, Mr. Xu served as the internal control deputy director of Guangzhou Lalami Information Technology Stock Co., Ltd. (廣州拉拉米信息科技股份有限公司) (formerly known as Guangzhou Lalami Information Technology Co., Ltd. (廣州市拉拉米信息科技有限公司)), a company primarily engaged in cross-border brand management. From October 2016 to May 2019, Mr. Xu served as a manager of AE Majoris (Guangzhou) Advisory Company Limited (明大(廣州)企業管理諮詢有限公司), which is wholly-owned by AE Majoris Advisory Company Limited, a company primarily engaged in the provision of the corporate finance and advisory services. From October 2012 to January 2015, Mr. Xu served as a senior auditor of Deloitte Touche Tohmatsu Certified Public Accountants LLP Guangzhou Branch (德勤華永會計師事務所(特殊普通合夥)廣州分所).

Mr. Xu has been a certified public accountant in China accredited by The Chinese Institute of Certified Public Accountants since February 2019. Mr. Xu obtained his bachelor's degree in business administration (majoring in accounting) from the Macau University of Science and Technology in June 2012.

GENERAL

Save as disclosed above, each of our Directors and Supervisors confirms with respect to himself or herself that he or she (1) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (2) there are no other matters concerning our Directors or Supervisors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or required be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

Save as disclosed in "Statutory and General Information — C. Further Information about Our Directors, Supervisors and Substantial Shareholders — 1. Disclosure of interests our Directors, Supervisors and Chief Executive," each of our Directors and Supervisors confirms with respect to himself or herself that he or she did not hold any interest in our Shares which would be required to be disclosed pursuant to Part XV of the SFO.

Save as disclosed above and in this document, each of our Directors and Supervisors confirms with respect to himself or herself that he or she had no other relationship with any Directors, Supervisors, senior management or substantial shareholders of our Company as of the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Mr. Zhang Hua (章驊), aged 35, joined our Group in February 2024 as our finance director. He was appointed as a joint company secretary of our Company in April 2025.

Mr. Zhang has over 12 years of experience in accounting and finance. From November 2020 to November 2023, he served as the assistant chief financial officer of Tibet Green Tea Catering Management Co., Ltd. (西藏綠茶餐飲管理有限公司), a company primarily engaged in the management of catering investment. In October 2012, Mr. Zhang began his career at PricewaterhouseCoopers Zhong Tian LLP, Xiamen Branch and served as the manager of the audit department before his departure in November 2020.

Mr. Zhang has been a certified public accountant in China accredited by The Chinese Institute of Certified Public Accountants since July 2017.

Mr. Zhang obtained his bachelor's degree majoring in accounting from Qingdao University in China in June 2012.

Ms. Tang King Yin (鄧景賢), aged 38, was appointed as a joint company secretary of our Company in April 2025.

Ms. Tang is a senior manager of Company Secretarial Services of Tricor Services Limited. Ms. Tang has over 10 years of experience in the corporate secretarial field. She has been providing professional corporate services to companies listed on the Stock Exchange as well as multinational, private and offshore companies. Ms. Tang currently serves as the joint company secretary of MIXUE Group, a company primarily engaged in the freshly-made drinks market, the shares of which are listed on the Stock Exchange (stock code: 2097).

Ms. Tang is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Ms. Tang obtained her master's degree of corporate governance and compliance from the Hong Kong Baptist University in November 2021 and a bachelor's degree in business administration from Hong Kong Shue Yan University in July 2011.

BOARD COMMITTEES

We have formed three board committees, namely, the audit committee of the Board (the "**Audit Committee**"), the remuneration and appraisal committee of the Board (the "**Remuneration and Appraisal Committee**") and the nomination committee of the Board (the "**Nomination Committee**").

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 C1 to the Listing Rules (the "**CG Code**"). The Audit Committee consists of three members, namely Mr. Chan Kwok Bun, Mr. Xu Lei and Mr. Zhong Jiesheng, our independent non-executive Directors. Mr. Chan Kwok Bun 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.

Remuneration and Appraisal Committee

Our Company established a Remuneration and Appraisal Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration and Appraisal Committee consists of Mr. Zhong Jiesheng and Mr. Chan Kwok Bun, our independent non-executive Directors, and Mr. Song. Mr. Zhong Jiesheng has been appointed as the chairman of the Remuneration and Appraisal Committee. The primary duties of the Remuneration and Appraisal Committee are to establish and review the policy and structure of the remuneration for our Directors, Supervisors and senior management and make recommendations on employee benefit arrangements.

Nomination Committee

Our Company established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the CG Code. The Nomination Committee consists of Mr. Xu Lei and Mr. Zhong Jiesheng, our independent non-executive Directors, and Ms. Luo. Mr. Xu Lei has been appointed as 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.

BOARD DIVERSITY

We have adopted our board diversity policy (the "**Board Diversity Policy**") which sets out the objectives and approaches to achieve and maintain diversity on our Board. Our Board Diversity Policy provides that our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategies.

We seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Nomination Committee is delegated by our Board to be responsible for monitoring our compliance with the relevant code provisions governing board diversity under the CG Code. After [**REDACTED**], our Nomination Committee will review our Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of our Board Diversity Policy on an annual basis.

Our Board comprises seven members, including three executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including experiences in overall management and strategic development, finance, audit, private equity and investment, corporate and business management and information technology in addition to industry experience relevant to our Group's operations and business. Our Board has a gender composition consisting of one female member and six male members. Our Directors range from 37 years old to 53 years old, and are able to bring diverse perspectives to our Board. After due consideration, our Board believes that based on the meritocracy of our Directors, the composition of our Board satisfies our Board Diversity Policy.

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 of Rules 8.12 and 19A.15 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see "Waiver from Strict Compliance with the Listing Rules — Waiver in Relation to Management Presence in Hong Kong."

We have applied to the Stock Exchange for[, and the Stock Exchange has granted,] a waiver from strict compliance with the requirement of Rules 3.28 and 8.17 of the Listing Rules in relation to the academic or professional qualifications of our Company's joint company secretaries. For details of the waiver, see "Waiver from Strict Compliance with the Listing Rules — Waiver in Relation to Joint Company Secretaries."

CORPORATE GOVERNANCE

Our Company aims to achieve high standards of corporate governance, which are crucial to our development, and safeguard the interests of our Shareholders. Our Company intends to comply with all code provisions in the CG Code after [**REDACTED**] save for code provision C.2.1 of the CG code, which stipulates that the roles of chairman of the Board and chief executive should be separate and should not be performed by the same individual.

Mr. Song Qi is the chairman of our Board and also assumes the role of chief executive officer of our Company. In view of Mr. Song's experience, personal profile and substantial contribution to our Group since his appointment to his roles, we consider it to be beneficial to the management and business development of our Group to have Mr. Song act as the chairman of the Board and continue his role as the chief executive officer of our Company after [**REDACTED**]. Our Board believes this arrangement with Mr. Song will continue the strong and consistent leadership he has provided to our Group since our founding.

While this would constitute a deviation from code provision C.2.1 of the CG Code, our Board believes that this structure will not impair the balance of power and authority between our Board and the management of our Company, given that: (i) there are sufficient checks and balances on our Board, as decisions to be made by our Board requires the approval of at least a majority of our Directors, and our Board comprises three independent non-executive Directors as required under the Listing Rules; (ii) Mr. Song and our other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among others, that they act for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of our Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Furthermore, the key business, financial, and operational policies of our Group as well as the overall strategic development goals of our Group are made collectively by our Board and senior management after thorough discussions.

Our Board will continue to evaluate and consider if dividing the roles of the chairman of our Board and the chief executive of our Company at an appropriate time is necessary, taking into account the circumstances of our Group as a whole.

EMPLOYEE INCENTIVE PLATFORM

In order to incentivize our Directors, Supervisors, senior management and other participants for their contribution to our Group and to attract and retain talented personnel for our Group, we adopted the [**REDACTED**] Employee Incentive Scheme in August 2019. For further details, see "Statutory and General Information — D. [**REDACTED**] Employee Incentive Scheme."

COMPENSATION OF OUR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and members of our senior management receive compensation from our Company in the form of salaries, allowances and other benefits, retirement scheme contributions, share-based payments and discretionary bonuses.

The aggregate amount of remuneration our Directors and Supervisors have received (including salaries, allowances and other benefits, retirement scheme contributions, share-based payments and discretionary bonuses) for the years ended December 31, 2022, 2023 and 2024 were approximately RMB1.5 million, RMB2.9 million and RMB4.7 million, respectively.

The aggregate amount of salaries and other emoluments, retirement scheme contributions, share-based payments and discretionary bonuses paid to the six highest paid individuals (joint-fifth highest) of our Company, including Directors, Supervisors and senior management, for the years ended December 31, 2022, 2023 and 2024 were approximately RMB4.3 million, RMB5.4 million and RMB6.0 million, respectively.

It is estimated that remuneration equivalent to approximately RMB5.3 million (including salaries, allowances and other benefits, retirement scheme contributions, share-based payments and discretionary bonuses) in aggregate will be paid and granted to our Directors and Supervisors by us in respect of the financial year ending December 31, 2025 under the arrangements in force at the date of this document.

No remuneration was paid or payable by us to our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office in respect of the years ended December 31, 2022, 2023 and 2024. Further, none of our Directors, Supervisors waved or agreed to waive any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable by our Group to our Directors or Supervisors in respect of the years ended December 31, 2022, 2023 and 2024.

Our Board will review and determine the remuneration and compensation packages of our Directors, Supervisors and senior management which, following the [**REDACTED**], will receive recommendations from our Remuneration and Appraisal Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors, Supervisors and senior management and the performance of our Group.

CONFIRMATION FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to in Rule 3.09D of the Listing Rules on April 2, 2025, and (ii) understands his or her obligations as a director of a [**REDACTED**] issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors confirms (i) his independence with regard to each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules; (ii) that he has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date; and (iii) that there are no other factors that may affect his independence at the time of his appointment.

Rule 8.10 of the Listing Rules

Each of our Directors (excluding our independent non-executive Directors) confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules. Mr. Wang Xiaolong, our non-executive Director, serves as an executive director of Best Food. Best Food operates and invests in several food and beverage brands in China. As (i) Mr. Wang is not involved in the daily management and operation of our Company given his non-executive role in our Company, and (ii) Best Food does not operate any Sichuan-Chongqing style noodle restaurants that competes or is likely to compete with our core business, our Directors believe that the role held by Mr. Wang in Best Food would not give rise to any competing interest which would require disclosure under Rule 8.10 of the Listing Rules.

COMPLIANCE ADVISOR

We have appointed Altus Capital Limited as our compliance advisor (the "**Compliance Advisor**") upon [**REDACTED**] 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:

- before 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, sales or transfers of treasury shares and share repurchases;
- where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry of our Company concerning unusual movements in the price or [**REDACTED**] of our Shares, the possible development of a false market in our Shares, or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment of the Compliance Advisor shall commence on the [**REDACTED**] 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 [**REDACTED**].

OUR CONTROLLING SHAREHOLDERS

Huai'an Chuangtao was established by Mr. Song and Mr. Su in April 2016 as their shareholding platform. As of the Latest Practicable Date, Huai'an Chuangtao held approximately 49.04% of the total issued Shares of our Company. Mr. Song, as the general partner, and Mr. Su, as the limited partner, held 66.67% and 33.33% of the partnership interests in Huai'an Chuangtao, respectively.

As of the Latest Practicable Date, Mr. Song was entitled to exercise the voting rights attached to approximately 4.24% of the total issued Shares of our Company by virtue of being the general partner of Huai'an Yujian Haoren, our Company's employee incentive platform.

Immediately following the completion of the [**REDACTED**], Huai'an Chuangtao will be entitled to exercise the voting rights attaching to [**REDACTED**] of the total issued Shares of our Company (without taking into account any Shares which may be [**REDACTED**] pursuant to the exercise of the [**REDACTED**]). Further, by virtue of their interests in Huai'an Chuangtao, a shareholding platform between them, both Mr. Song and Mr. Su will be regarded as a group of controlling shareholders pursuant to Chapter 1.1C of the Guide for New Listing Applicants published by the Stock Exchange. In addition, Mr. Song through Huai'an Yujian Haoren will be entitled to exercise the voting rights attaching to [**REDACTED**] of the total issued Shares of our Company (without taking into account any Shares which may be [**REDACTED**] pursuant to the exercise of the [**REDACTED**]).

Based on the above, Mr. Song, Mr. Su, Huai'an Chuangtao, and Huai'an Yujian Haoren will together form our group of Controlling Shareholders upon [**REDACTED**].

For details on Mr. Song, Mr. Su, Huai'an Chuangtao, and Huai'an Yujian Haoren, see "Directors, Supervisors and Senior Management — Directors", "History, Development and Corporate Structure — Establishment and Major Shareholding Changes of our Company — 4. Establishment of shareholding platform and transfer of Shares in September 2016" and "History, Development and Corporate Structure — Employee Incentive Platform".

COMPETING INTERESTS

Our Controlling Shareholders have confirmed that as of the Latest Practicable Date, none of them or any of their respective close associates had 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.

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 [**REDACTED**].

Management Independence

The day-to-day management of the business of our Group rests primarily with our Board and our senior management. Our Board comprises seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Although Mr. Song is the chairman of our Board and the chief executive officer of our Company, and both Mr. Song and Mr. Su are our executive Directors and Controlling Shareholders, our management and operational decisions are made by our Board and senior management members collectively. The balance of power and authority is ensured by the operation of the senior management and our Board. For further details, see "Directors, Supervisors and Senior Management".

We believe that our Board as a whole, together with our senior management, is able to perform the managerial role in our Group independently from our Controlling Shareholders for the following considerations:

(a) 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;

(b) our day-to-day management and operation decisions rest primarily with our executive Directors and senior management members, all of whom have substantial experience in the industry in which we are engaged and will be able to make business decisions that are in the best interest of our Group. For the background and biographical details of our executive Directors and senior management, see "Directors, Supervisors and Senior Management";

(c) we had appointed three independent non-executive Directors, comprising more than one-third of the total number of Directors on our Board, who have sufficient knowledge, experience and competence with a view to bring independent judgment to the decision-making process of our Board and provide independent advice to our Board committees;

(d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; and

(e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For further details, see "— Corporate Governance Measures".

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.

Operational Independence

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 relevant licenses necessary to carry out our businesses, and has sufficient capital, technology, 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. None of our operational personnel or administrative personnel is under the employment of our Controlling Shareholders or their respective close associates. We have also established a set of internal control measures to facilitate the effective operation of our business. For details of our Group's risk management and internal control systems, see "Business — Risk Management and Internal Control." Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the [**REDACTED**].

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 had our own internal control, accounting and financial management system and we make financial decisions independently according to our own business needs. We have independent bank accounts and do not share any of our bank accounts, loan facilities or credit facilities with our Controlling Shareholders or their respective close associates. In addition, our Group has sufficient capital and credit facilities to operate our business independently, and has adequate internal resources and credit profile to support our daily operations.

Our Directors confirm that all guarantees provided by our Controlling Shareholders and their respective close associates are being procured by the Company to be, and would be fully repaid or released before the [**REDACTED**]. For further details of guarantees provided by our Controlling Shareholders and their close associates during the Track Record Period, see Note 30 to the Accountants' Report as set out in Appendix I. 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 from 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.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interest between our Group and our Controlling Shareholders:

(a) as part of our preparation for the [**REDACTED**], 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 absent himself/herself from the board meetings on matters in which such Director or his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of our Board is specifically requested by a majority of the independent non-executive Directors;

(c) our Company has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;

(d) 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 to our Board. We believe our independent non-executive Directors possess sufficient experience and 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 impartial and external opinions to protect the interests of our [**REDACTED**] Shareholders. For details of our independent non-executive Directors, see "Directors, Supervisors and Senior Management — Directors — Independent non-executive Directors";

(e) in the event that the independent non-executive Directors are requested to review any conflicts of interest 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 the necessary information and our Company will disclose the decisions of the independent non-executive Directors either through our interim and annual reports or by way of announcements;

(f) pursuant to the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from independent professionals in appropriate circumstances at our Company's expense; and

(g) we have appointed Altus Capital Limited as our compliance advisor to 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.

Based on the above, our Directors believe that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders and to protect our Shareholders' interests as a whole after the [**REDACTED**].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] (without taking into account any H Shares which may be [**REDACTED**] pursuant to the exercise of the [**REDACTED**]), the following persons will have an interest or a short position in our Shares or underlying Shares which will be required to be disclosed to us and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

		As of the Latest Practicable Date(1)		Immediately after the [REDACTED] and the [REDACTED] of Unlisted Shares into H Shares (without taking into account any H Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED])(1)	
Name of Shareholder	**Nature of interest**	**Number of Shares**	**Approximate percentage of interest in the total issued share capital**	**Number of Shares**	**Approximate percentage of interest in the total issued share capital**
Mr. Song	Interest in controlled corporation(2)(3)	326,795,850 Unlisted Shares	53.28%	[REDACTED]	[REDACTED]
		–	–	[REDACTED]	[REDACTED]
Ms. Luo	Interest of spouse(2)(3)	326,795,850 Unlisted Shares	53.28%	[REDACTED]	[REDACTED]
		–	–	[REDACTED]	[REDACTED]
Huai'an Chuangtao Enterprise Management Partnership (Limited Partnership) (淮安市創韜企業管理合夥企業(有限合夥)) ("**Huai'an Chuangtao**")	Beneficial owner(3)	300,800,000 Unlisted Shares	49.04%	[REDACTED]	[REDACTED]
		–	–	[REDACTED]	[REDACTED]
Mr. Su	Interest in controlled corporation(3)	300,800,000 Unlisted Shares	49.04%	[REDACTED]	[REDACTED]
		–	–	[REDACTED]	[REDACTED]
Ms. Li Jieru (李潔茹)	Interest of spouse(3)	300,800,000 Unlisted Shares	49.04%	[REDACTED]	[REDACTED]
		–	–	[REDACTED]	[REDACTED]

		As of the Latest Practicable Date[1]		Immediately after the [REDACTED] and the [REDACTED] of Unlisted Shares into H Shares (without taking into account any H Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED])[1]	
Name of Shareholder	**Nature of interest**	**Number of Shares**	**Approximate percentage of interest in the total issued share capital**	**Number of Shares**	**Approximate percentage of interest in the total issued share capital**
Wonderful Dawn Holdings Limited ("**Wonderful Dawn**") .	Beneficial owner	105,239,450 Unlisted Shares	17.16%	**[REDACTED]**	**[REDACTED]**
		–	–	**[REDACTED]**	**[REDACTED]**
Best Food Holding Company Limited ("**Best Food**").	Interest in controlled corporation[4]	105,239,450 Unlisted Shares	17.16%	**[REDACTED]**	**[REDACTED]**
		–	–	**[REDACTED]**	**[REDACTED]**
Sonic Tycoon Limited	Interest in controlled corporation[4]	105,239,450 Unlisted Shares	17.16%	**[REDACTED]**	**[REDACTED]**
		–	–	**[REDACTED]**	**[REDACTED]**
Fortune Eight Alps Limited ("**Fortune Eight**").	Interest in controlled corporation[4]	105,239,450 Unlisted Shares	17.16%	**[REDACTED]**	**[REDACTED]**
		–	–	**[REDACTED]**	**[REDACTED]**
Hony Capital Fund VIII (Cayman), L.P. ("**Hony Capital Fund**")	Interest in controlled corporation[4]	105,239,450 Unlisted Shares	17.16%	**[REDACTED]**	**[REDACTED]**
		–	–	**[REDACTED]**	**[REDACTED]**
Hony Capital Fund VIII GP (Cayman), L.P. ("**HCF VIII GP**")	Interest in controlled corporation[4]	105,239,450 Unlisted Shares	17.16%	**[REDACTED]**	**[REDACTED]**
		–	–	**[REDACTED]**	**[REDACTED]**
Hony Capital Fund VIII GP (Cayman) Limited ("**HCF VIII GP Ltd**")	Interest in controlled corporation[4]	105,239,450 Unlisted Shares	17.16%	**[REDACTED]**	**[REDACTED]**
		–	–	**[REDACTED]**	**[REDACTED]**

		As of the Latest Practicable Date(1)		Immediately after the [REDACTED] and the [REDACTED] of Unlisted Shares into H Shares (without taking into account any H Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED])(1)	
Name of Shareholder	**Nature of interest**	**Number of Shares**	**Approximate percentage of interest in the total issued share capital**	**Number of Shares**	**Approximate percentage of interest in the total issued share capital**
Hony Group Management Limited ("**Hony Group**")	Interest in controlled corporation(4)	105,239,450 Unlisted Shares	17.16%	**[REDACTED]**	**[REDACTED]**
		–	–	**[REDACTED]**	**[REDACTED]**
Hony Managing Partners Limited ("**Hony Managing**")	Interest in controlled corporation(4)	105,239,450 Unlisted Shares	17.16%	**[REDACTED]**	**[REDACTED]**
		–	–	**[REDACTED]**	**[REDACTED]**
Exponential Fortune Group Limited ("**Exponential Fortune**")	Interest in controlled corporation(4)	105,239,450 Unlisted Shares	17.16%	**[REDACTED]**	**[REDACTED]**
		–	–	**[REDACTED]**	**[REDACTED]**
Zhao John Huan (趙令歡)	Interest in controlled corporation(4)	105,239,450 Unlisted Shares	17.16%	**[REDACTED]**	**[REDACTED]**
		–	–	**[REDACTED]**	**[REDACTED]**
Guangzhou Chenghui Equity Investment Management Co., Ltd. (廣州成匯股權投資管理有限責任公司) ("**Guangzhou Chenghui**")	Interest in controlled corporation(5)	55,548,400 Unlisted Shares	9.06%	**[REDACTED]**	**[REDACTED]**
		–	–	**[REDACTED]**	**[REDACTED]**
Shenzhen Country Garden Innovation Investment Management Co., Ltd. (深圳市碧桂園創新投資有限公司) ("**Country Garden Innovation Investment**")	Interest in controlled corporation(5)	55,548,400 Unlisted Shares	9.06%	**[REDACTED]**	**[REDACTED]**
		–	–	**[REDACTED]**	**[REDACTED]**

		As of the Latest Practicable Date[1]		Immediately after the [REDACTED] and the [REDACTED] of Unlisted Shares into H Shares (without taking into account any H Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED])[1]	
Name of Shareholder	**Nature of interest**	**Number of Shares**	**Approximate percentage of interest in the total issued share capital**	**Number of Shares**	**Approximate percentage of interest in the total issued share capital**
Country Garden Holdings Company Limited ("**Country Garden Holdings**")	Interest in controlled corporation[5]	55,548,400 Unlisted Shares	9.06%	[REDACTED]	[REDACTED]
		–	–	[REDACTED]	[REDACTED]
Foshan Shunde District Rongyue Enterprise Management Co., Ltd. (佛山市順德區榮躍企業管理有限公司) ("**Rongyue Enterprise Management**") . .	Interest in controlled corporation[5]	55,548,400 Unlisted Shares	9.06%	[REDACTED]	[REDACTED]
		–	–	[REDACTED]	[REDACTED]
Gu Dongsheng (顧東生)[6]	Beneficial owner	47,404,150 Unlisted Shares	7.73%	[REDACTED]	[REDACTED]
		–	–	[REDACTED]	[REDACTED]
Guangzhou Pinxin Yuegu Enterprise Management Co., Ltd. (廣州品芯悅穀企業管理有限公司) ("**Pinxin Yuegu**") . . .	Beneficial owner	39,894,000 Unlisted Shares	6.50%	[REDACTED]	[REDACTED]
		–	–	[REDACTED]	[REDACTED]
Jiumaojiu (Guangzhou) Holdings Limited (九毛九(廣州)控股有限公司) ("**Jiumaojiu Guangzhou**")	Interest in controlled corporation[7]	39,894,000 Unlisted Shares	6.50%	[REDACTED]	[REDACTED]
		–	–	[REDACTED]	[REDACTED]
JMJ Catering Holdings Limited (九毛九餐飲控股有限公司) ("**JMJ Catering**").	Interest in controlled corporation[7]	39,894,000 Unlisted Shares	6.50%	[REDACTED]	[REDACTED]
		–	–	[REDACTED]	[REDACTED]
JMJ Enterprises Limited ("**JMJ Enterprises**")	Interest in controlled corporation[7]	39,894,000 Unlisted Shares	6.50%	[REDACTED]	[REDACTED]
		–	–	[REDACTED]	[REDACTED]

		As of the Latest Practicable Date[(1)]		Immediately after the [REDACTED] and the [REDACTED] of Unlisted Shares into H Shares (without taking into account any H Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED])[(1)]	
Name of Shareholder	**Nature of interest**	**Number of Shares**	**Approximate percentage of interest in the total issued share capital**	**Number of Shares**	**Approximate percentage of interest in the total issued share capital**
Jiumaojiu International Holdings Limited ("**Jiumaojiu International**")	Interest in controlled corporation[(7)]	39,894,000 Unlisted Shares	6.50%	[REDACTED]	[REDACTED]
		–	–	[REDACTED]	[REDACTED]
GYH J Limited	Interest in controlled corporation[(7)]	39,894,000 Unlisted Shares	6.50%	[REDACTED]	[REDACTED]
		–	–	[REDACTED]	[REDACTED]
Guan Yihong (管毅宏)	Interest in controlled corporation[(7)]	39,894,000 Unlisted Shares	6.50%	[REDACTED]	[REDACTED]
		–	–	[REDACTED]	[REDACTED]
Yang Sanyin (楊三銀)	Interest of spouse[(7)]	39,894,000 Unlisted Shares	6.50%	[REDACTED]	[REDACTED]
		–	–	[REDACTED]	[REDACTED]

Notes:

(1) All interests are held in long positions.

(2) As of the Latest Practicable Date, Huai'an Yujian Haoren, our Company's employee incentive platform, was a limited partnership established under PRC Law and directly held 25,995,850 Shares, representing 4.24% of our issued capital. Mr. Song was the general partner of Huai'an Yujian Haoren.

Accordingly, under Part XV of the SFO, Mr. Song is deemed to be interested in all the Shares held by Huai'an Yujian Haoren.

(3) As of the Latest Practicable Date, Huai'an Chuangtao was a limited partnership established under PRC Law. It was established by Mr. Song and Mr. Su in April 2016 as their shareholding platform. Mr. Song, as the general partner, and Mr. Su, as the limited partner, held 66.67% and 33.33% of the partnership interest therein, respectively.

Accordingly, under Part XV of the SFO, Mr. Song and Mr. Su are deemed to be interested in all the Shares held by Huai'an Chuangtao.

Ms. Luo is spouse of Mr. Song and Ms. Li Jieru (李潔茹) is the spouse of Mr. Su. Therefore, Ms. Luo is deemed to be interested in the Shares in which Mr. Song is deemed to be interested in and Ms. Li is deemed to be interested in the Shares in which Mr. Su is deemed to be interested in.

(4) As of the Latest Practicable Date, Wonderful Dawn was a private company limited by shares incorporated under the laws of Hong Kong. Wonderful Dawn was a wholly-owned subsidiary of Best Food, a company listed on the Stock Exchange (stock code: 1488).

To the best knowledge of our Directors, Best Food was owned as to 75.00% by Sonic Tycoon Limited, which was owned as to 74.84% by Fortune Eight, which was wholly-owned by Hony Capital Fund. The sole general partner of Hony Capital Fund was HCF VIII GP, which was managed by HCF VIII GP Ltd, its sole general partner. HCF VIII GP Ltd was wholly-owned by Hony Group, which was in turn owned as to 80.00% by Hony Managing, which was in turn wholly-owned by Exponential Fortune, which was in turn owned as to 49.00% by Zhao John Huan (趙令歡).

Accordingly, under Part XV of the SFO, Best Food, Sonic Tycoon Limited, Fortune Eight, Hony Capital Fund, HCF VIII GP, HCF VIII GP Ltd, Hony Group, Hony Managing, Exponential Fortune and Zhao John Huan (趙令歡) are deemed to be interested in all the Shares held by Wonderful Dawn.

(5) As of the Latest Practicable Date, Foshan Nanhai Huibi No. 1 Equity Investment Partnership (Limited Partnership) (佛山市南海區匯碧一號股權投資合夥企業(有限合夥)) ("**Huibi No. 1**") and Huibi No. 2 directly held 24,362,800 Shares and 31,185,600 Shares, representing 3.97% and 5.08% of our issued capital, respectively. Huibi No. 1 and Huibi No. 2 were limited partnerships established under PRC Law. The general partner of both Huibi No. 1 and Huibi No. 2 was Guangzhou Chenghui.

As of the Latest Practicable Date, Guangzhou Chenghui was an indirect subsidiary of Country Garden Holdings, a company listed on the Stock Exchange (stock code: 2007).

As of the Latest Practicable Date, Huibi No. 1 had two limited partners, Country Garden Innovation Investment and Rongyue Enterprise Management, and each held approximately 49.92% partnership interest therein. The remaining partnership interest was held by Guangzhou Chenghui, the general partner. The limited partners of Huibi No. 2 were also Country Garden Innovation Investment and Rongyue Enterprise Management, and, as of the Latest Practicable Date, each held approximately 49.95% partnership interest therein. The remaining partnership interest was held by Guangzhou Chenghui, the general partner.

As of the Latest Practicable Date, Country Garden Innovation Investment was an indirect wholly-owned subsidiary of Country Garden Holdings.

Accordingly, under Part XV of the SFO, Country Garden Holdings and its intermediary subsidiary entities through which it holds interest in Huibi No. 1 and Huibi No. 2, and Rongyue Enterprise Management are deemed to be interested in all the Shares held by Huibi No. 1 and Huibi No. 2.

(6) As of the Latest Practicable Date, Mr. Gu Dongsheng (顧東生) was an individual investor who specialized in the catering industry and was an Independent Third Party.

(7) As of the Latest Practicable Date, Pinxin Yuegu was a limited company incorporated under PRC Law. Pinxin Yuegu was wholly-owned by Jiumaojiu Guangzhou, which was in turn wholly-owned by JMJ Catering, which was in turn wholly-owned by JMJ Enterprises, which was in turn wholly-owned by Jiumaojiu International, a company listed on the Stock Exchange (stock code: 9922). To the best knowledge of the Directors, Jiumaojiu International was owned as to 39.24% by GYH J Limited, the voting shares of which were in turn wholly-owned by Mr. Guan Yihong (管毅宏). To the best knowledge of the Directors, Ms. Yang Sanyin (楊三銀) was the spouse of Mr. Guan Yihong.

Accordingly, under Part XV of the SFO, Jiumaojiu Guangzhou, JMJ Catering, JMJ Enterprises and Jiumaojiu International, GYH J Limited and Mr. Guan Yihong are deemed to be interested in all the Shares held by Pinxin Yuegu. Further, Ms. Yang Sanyin is deemed to be interested in the Shares in which her spouse Mr. Guan Yihong is deemed to be interested in.

Save as disclosed above and in "Statutory and General Information — C. Further Information about Our Directors, Supervisors and Substantial Shareholders — 1. Disclosure of Interests of our Directors, Supervisors and Chief Executive" in Appendix VI, our Directors are not aware of any person who will, immediately following the completion of the [**REDACTED**] and without taking into account any H Shares which may be [**REDACTED**] pursuant to the exercise of the [**REDACTED**], have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the registered share capital of our Company was RMB12,266,496 comprising of 613,324,800 Unlisted Shares with a nominal value of RMB0.02 each.

UPON COMPLETION OF THE [REDACTED]

Immediately upon completion of the [**REDACTED**] and the [**REDACTED**] of Unlisted Shares into H Shares, assuming the [**REDACTED**] is not exercised, the share capital of our Company will be as follows:

Description of shares	Number of Shares	Approximate percentage of issued share capital after the [REDACTED]
H Shares to be [**REDACTED**] from Unlisted Shares	[**REDACTED**]	[**REDACTED**]
H Shares to be [**REDACTED**] pursuant to the [**REDACTED**] (assuming the [**REDACTED**] is not exercised)	[**REDACTED**]	[**REDACTED**]
Shares in total	[**REDACTED**]	[**REDACTED**]

Immediately upon completion of the [**REDACTED**] and the [**REDACTED**] of Unlisted Shares into H Shares, assuming the [**REDACTED**] is exercised in full, the share capital of our Company will be as follows:

Description of shares	Number of Shares	Approximate percentage of issued share capital after the [REDACTED]
H Shares to be [**REDACTED**] from Unlisted Shares	[**REDACTED**]	[**REDACTED**]
H Shares to be [**REDACTED**] pursuant to the [**REDACTED**] (assuming the [**REDACTED**] is exercised in full)	[**REDACTED**]	[**REDACTED**]
Shares in total	[**REDACTED**]	[**REDACTED**]

UNLISTED SHARES AND H SHARES

Upon the completion of the [**REDACTED**] and the [**REDACTED**] of Unlisted Shares into H Shares, our Shares will only consist of [**REDACTED**]. Unlisted Shares and H Shares are all ordinary Shares in the share capital of our Company and are considered as one class of Shares. Apart from certain qualified domestic institutional investors in the Chinese mainland, the qualified Chinese mainland investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC Law or upon filing with any competent authorities, H Shares generally cannot be [**REDACTED**] for by or [**REDACTED**] between legal or natural Chinese mainland persons.

Unlisted Shares and H Shares are regarded as one class of Shares under our Articles of Association and shall rank *pari passu* with each other in all respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi. Other than cash, dividends could also be paid in the form of Shares.

[REDACTED] OF UNLISTED SHARES INTO H SHARES

Pursuant to the regulations prescribed by the securities regulatory authorities of the State Council and the Articles of Association, our Unlisted Shares may be converted into overseas-[**REDACTED**] Shares. Such converted Shares could be [**REDACTED**] or [**REDACTED**] on an overseas stock exchange, provided that prior to the [**REDACTED**] and [**REDACTED**] of such converted Shares, any requisite internal approval process has been duly completed and all the filling procedures with relevant Chinese mainland regulatory authorities, including the CSRC are followed. In addition, such [**REDACTED**] and [**REDACTED**] shall comply with the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. If any of our Unlisted Shares are to be [**REDACTED**], [**REDACTED**] and [**REDACTED**] as H Shares on the Stock Exchange, such [**REDACTED**], [**REDACTED**] and [**REDACTED**] will be undertaken upon completion of the filing procedures with the CSRC and the approval of the Stock Exchange.

Filing with the CSRC for Full Circulation

In accordance with the Guidelines for Applying "Full Circulation" for Domestic Unlisted Shares of H-share Listed Companies (H股公司境內未上市股份申請"全流通"業務指引), the Trial Administrative Measures and the relevant five guidelines announced by the CSRC, H-share listed companies which apply for the conversion of domestic unlisted shares into H shares for listing and circulation on the Stock Exchange shall conform to relevant regulations promulgated by the CSRC, and authorize the company to file with the CSRC on their behalf.

Our Company applied for a "Full Circulation" with the CSRC on [●], and submitted the application reports, authorization documents of the Shareholders of Unlisted Shares for which an H-share "Full Circulation" was applied, commitment about the compliance of share acquisition and other documents in accordance with the requirements of the CSRC. Our Company has received the reply from the CSRC dated [●], pursuant to which, a total of [**REDACTED**] Unlisted Shares (with a nominal value of RMB0.02 each) held by

[**REDACTED**] Shareholders (the "**Domestic Participating Shareholders**") were approved to be converted into H Shares, and the relevant Shares may be [**REDACTED**] on the Stock Exchange upon completion of the [**REDACTED**]. The aforesaid shall remain effective within twelve months from the date of approval.

The [**REDACTED**] of Unlisted Shares into H Shares will involve an aggregate of [**REDACTED**] Unlisted Shares held by the [**REDACTED**] existing Shareholders, representing [**REDACTED**] of the total issued Shares of our Company as of the Latest Practicable Date and approximately [**REDACTED**] of the total issued Shares of our Company upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) and the [**REDACTED**] of Unlisted Shares into H Shares.

[**REDACTED**] Approval by the Stock Exchange

We have applied to the Stock Exchange for the granting of [**REDACTED**] of, and permission to [**REDACTED**] in, our H Shares to be [**REDACTED**] pursuant to the [**REDACTED**] (including any H Shares which may be [**REDACTED**] pursuant to the exercise of the [**REDACTED**]) and the H Shares to be converted from [**REDACTED**] Unlisted Shares, which is subject to the approval by the Stock Exchange.

We will perform the following procedures for the [**REDACTED**] of Unlisted Shares into H Shares after receiving the approval of the Stock Exchange: (1) giving instructions to our [**REDACTED**] regarding the relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by [**REDACTED**] for deposit, clearance and settlement in the [**REDACTED**].

TRANSFER OF SHARES ISSUED PRIOR TO [REDACTED]

Pursuant to the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, our Shares issued prior to the [**REDACTED**] shall not be transferred within one year from the [**REDACTED**].

REGISTRATION OF SHARES NOT [REDACTED] ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, an overseas [**REDACTED**] company is required to register its shares that are not [**REDACTED**] on an overseas stock exchange with the China Securities Depository and Clearing Corporation Limited within 15 business days upon [**REDACTED**] and provide a written report to the CSRC regarding the centralized registration and deposit of its non-overseas [**REDACTED**] shares as well as the current [**REDACTED**] and [**REDACTED**] of H shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

For details of circumstances under which our Shareholders' general meeting are required, see "Appendix V — Summary of Articles of Association."

You should read the following discussion and analysis in conjunction with our historical financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I. Our historical financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this document.

For the purpose of this section, unless the context otherwise requires, references to 2022, 2023 and 2024 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading and fast-growing modern Chinese noodle restaurants operator in China. We operate the *Xiao Noodles* (遇見小麵) brand in the Chinese mainland and Hong Kong SAR. Our restaurant network encompassed 374 restaurants across 22 cities in the Chinese mainland and six restaurants in Hong Kong SAR as of the Latest Practicable Date. Leveraging our strong growth momentum, we have 64 new restaurants in pre-opening preparation as of the Latest Practicable Date. According to Frost & Sullivan, we were the largest Sichuan-Chongqing style noodle restaurants operator and the fourth largest Chinese noodle restaurants operator in China in terms of GMV in 2024. We have also achieved the highest CAGR of GMV from 2022 to 2024 among 2024's top ten Chinese noodle restaurants operators in China.

During the Track Record Period, we primarily generated our revenue from corporate-owned restaurant operations and franchise management. Revenue from corporate-owned restaurant operations comprises mainly revenue from dine-in service and delivery business at our corporate-owned restaurants. Revenue from franchise management comprises revenue from royalty and franchising income and provision of service as well as sales of goods such as food ingredients and restaurant supplies to franchisees and sales of equipment to franchisees. Our success is evidenced by our strong financial track record. Our revenue increased from RMB418.1 million in 2022 to RMB1,154.4 million in 2024 at a CAGR of 66.2%, primarily due to the ongoing expansion of our restaurant network during the Track Record Period. Despite a net loss of RMB36.0 million recorded in 2022 due to the impact of COVID-19 pandemic, we turned to net profit position in 2023 with profit for the year of RMB45.9 million, which further increased by 32.2% to RMB60.7 million in 2024.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by general factors affecting the catering industry in the Chinese mainland, including but not limited to general economic and business conditions in the Chinese mainland, changes in consumer tastes and dining preferences, changes in the regulatory, legal and public policy landscapes, and the outbreak of any food-borne illnesses.

Our results of operations are also affected by certain company-specific factors, including:

- our ability to expand our restaurant network;
- our ability to manage our existing restaurants; and
- our ability to control costs and expenses.

Our Ability to Expand Our Restaurant Network

Our revenue is largely affected by the number of our restaurants in operation, and our future revenue growth depends on our ability to expand our restaurant network. The following table sets forth the movement in the number of our restaurants for the periods indicated:

	For the year ended December 31,		
	2022	2023	2024
Number of restaurants			
At the beginning of the period	133	170	252
Newly opened during the period	43	92	120
Closed during the period	(6)[1]	(10)[1]	(12)
At the end of the period	**170**	**252**	**360**
Number of corporate-owned restaurants			
At the beginning of the period	82	111	183
Newly opened during the period	32	68	101
Converted from franchised restaurants	–	5	4
Closed during the period	(3)	(1)	(9)
At the end of the period	**111**	**183**	**279**
Number of franchised restaurants			
At the beginning of the period	51	59	69
Newly opened during the period	11	24	19
Converted to corporate-owned restaurants	–	(5)	(4)
Closed during the period	(3)[1]	(9)[1]	(3)
At the end of the period	**59**	**69**	**81**

Note:

(1) As of January 1, 2022 and 2023, we jointly operated twelve and nine restaurants with an Independent Third Party, respectively. In 2022 and 2023, three and nine of such jointly operated restaurants were closed, respectively. For details of the background of our jointly operated restaurants, see "Business — Our Franchisees."

As of December 31, 2024, our restaurant network of 360 *Xiao Noodles* restaurants covered 22 cities in nine provinces in the Chinese mainland and Hong Kong SAR, comprising 279 corporate-owned restaurants and 81 franchised restaurants. The success of our business stems from the continued healthy expansion of our restaurant network. In 2022, 2023 and 2024, revenue from our corporate-owned restaurant operations amounted to RMB336.7 million, RMB671.9 million and RMB1,001.0 million, representing 80.5%, 83.9% and 86.7% of our total revenue, respectively. Our restaurants are typically located in transportation hubs, shopping centers, office areas, residential areas, campuses and scenic spots. When selecting sites for our restaurants, our expansion department considers relevant factors such as the number and nature of other restaurants in the vicinity, estimated customer traffic and accessibility to public transportation, and age distribution and population density of the local community. We have also implemented and will continue to employ measures to prevent cannibalization among our existing and newly opened restaurants, such as avoiding opening multiple restaurants in one shopping mall, residential area, or office area.

As for our franchise management business, our franchisees are required to operate their franchised restaurants in the designated premises and areas and any selection of restaurant locations and premises must be approved by us before the opening of additional franchised restaurants. In 2022, 2023 and 2024, revenue from franchise management amounted to RMB80.5 million, RMB127.7 million and RMB152.5 million, representing 19.3%, 16.0% and 13.2% of our total revenue, respectively.

Our management oversees the entire expansion process and, combined with conducting regular post-investment reviews of new restaurants, adjusts our expansion strategy accordingly if the performance of new restaurants is not satisfactory due to potential cannibalization. We believe that there are a vast number of regions in the Chinese mainland and Hong Kong SAR with great business opportunities where we can grow our presence. We expect to continue to expand our geographic coverage and deepen our market penetration in China and overseas. For details on our expansion plan, see "Business — Our Business — Restaurant Network Expansion Plan and Management."

Our Ability to Manage Our Existing Restaurants

Our revenue and profitability are affected in part by our ability to successfully grow revenue from existing restaurants. By standardizing key aspects of restaurant operations, applying intelligent digital systems, and providing comprehensive staff training on our standardized processes, we have established a highly scalable business model that ensures staff are well-equipped to deliver a consistently high-quality dining experience. We use the same store sales as a key metric to assess the period-to-period operational performance of our restaurants as it excludes the impact of revenue contribution from new restaurants by comparing the operational and financial performance of existing restaurants. For further details, see "Business — Our Restaurant Performance — Same Store Sales." The following table sets forth details of our same store sales in China during the Track Record Period:

	For the year ended December 31,			
	2022	2023	2023	2024
Number of same stores				
First-tier and new first-tier cities	72		116	
Second-tier cities and below	24		29	
Total	**96**		**145**	
Same store sales(1) *(RMB'000)*				
First-tier and new first-tier cities	287,744	375,462	602,934	572,118
Second-tier cities and below	94,057	115,815	137,445	136,919
Total	**381,801**	**491,277**	**740,379**	**709,037**
Same store sales growth *(%)*				
First-tier and new first-tier cities	30.5		(5.1)	
Second-tier cities and below	23.1		(0.4)	
Overall	**28.7**		**(4.2)**	
Same store seat turnover rate(2)				
First-tier and new first-tier cities	3.2	4.0	4.0	4.2
Second-tier cities and below	2.7	3.3	3.2	3.5
Overall	**3.1**	**3.8**	**3.9**	**4.1**

Notes:

(1) Same store sales refer to the total GMV generated from our same stores, including those generated from dine-in and delivery orders.

(2) Same store seat turnover rate is calculated by dividing the aggregate number of orders placed by dine-in customers by the sum of products of the restaurant operation days and seat count of each same store restaurant for the period.

We recorded an increase in same store seat turnover rate in 2022 and 2023 as well as 2023 and 2024 primarily because we took the initiative to reduce the prices of our menu items and provide customers with more value-for-money dining experience in order to attract more customers and increase our overall sales. Our same store sales increased in 2022 and 2023 primarily due to the rebound of consumers' spendings after the gradual phasing-out of the COVID-19 pandemic in 2023.

We recorded a decrease in same store sales in 2023 and 2024 primarily because (i) the base effect as a result of the rapid surge in spendings of consumers in catering market in the Chinese mainland during the first several months in 2023 following the gradual phasing-out of the COVID-19 pandemic, which was in line with the spending patterns in other consumer sectors according to Frost & Sullivan, and (ii) our initiative to reduce the prices of our menu items in order to attract more customers and increase our overall sales as mentioned above.

As we continue to expand our restaurant network, our sustainable profitability will largely depend on our ability to effectively managing and optimizing our restaurant operations. We expect to maintain a high-quality dining experience and further develop our delivery business to drive restaurant sales growth, thereby improving our financial performance in the long run.

Our Ability to Control Costs and Expenses

Raw materials and consumables

Raw material prices, especially food ingredient prices, have a direct impact on our cost of raw materials and consumables, which in turn affects our profitability. In 2022, 2023 and 2024, our cost of raw materials and consumables used amounted to RMB160.1 million, RMB290.3 million and RMB395.7 million, respectively, representing 38.3%, 36.3% and 34.3% of our revenue for the same periods.

We are exposed to risk arising from the increase in the cost of ingredients used in our restaurants. See "Risk Factors — Increases in the cost of ingredients used in our restaurants may lead to declines in our margins and operating results". To manage these costs effectively, we have established centralized purchase procedures that ensures all purchase orders are managed by our headquarters to maintain unified control over purchasing costs and achieve efficiency and consistency. Despite the initiatives we have taken, the price and supply of raw materials, especially food ingredients, are subject to a number of factors that are beyond our control, including but not limited to availability, change in market demand and inflation. For further details, see "Our Business — Procurement — Price Management and Price Sensitivity Analysis."

The cost of raw materials and consumables is highly correlated with the sustainable growth of our business. We expect the cost of raw materials and consumables to increase in absolute amount as we further expand our restaurant network. We will continue to closely monitor market price fluctuations and devote substantial efforts to effectively manage our cost of raw materials and consumables.

Staff costs

Restaurant operations are highly labor intensive and therefore, our results of operation are closely tied to our staff cost, the majority of which is salaries, wages and other benefits payable to our restaurant level staff.

In 2022, 2023, and 2024, our staff costs amounted to RMB109.3 million, RMB175.2 million, and RMB265.1 million, respectively, representing 26.1%, 21.9%, and 23.0% of our total revenue for the same periods.

We expect our staff costs to rise in absolute amount as we further expand our corporate-owned restaurant network which require additional staffing to support our daily operations.

Depreciation of right-of-use assets and other rentals and related expenses

We lease properties primarily to operate our corporate-owned restaurants and headquarters. Our leases generally have a term between four to six years. For further details, see "Business — Our Business — Lease arrangement." Depreciation charges for the leases for our corporate-owned restaurants are recorded as depreciation of right-of-use assets. In 2022, 2023, and 2024, our depreciation of right-of-use assets amounted to RMB94.6 million, RMB125.4 million and RMB188.8 million, respectively, accounting for 22.6%, 15.7% and 16.4% as a percentage of our total revenue for the same periods. Fixed payments of leases with a term of twelve months or less and leases of low-value assets, and variable lease payments are recorded as other rentals and related expenses. In 2022, 2023, and 2024, our other rentals and related expenses amounted to RMB4.5 million, RMB18.4 million and RMB21.6 million, respectively, accounting for 1.1%, 2.3% and 1.9% of our total revenue for the respective periods.

We expect our depreciation of right-of-use assets and other rentals and related expenses to increase in absolute amount as we further expand our restaurant network which requires additional leases, and our results of operation depends on our ability to manage our depreciation of right-of-use assets and other rentals and related expenses effectively.

BASIS OF PRESENTATION

Our Company was incorporated as a limited liability company in the Chinese mainland on February 14, 2014 and is the holding company of our Group. Our Company was then converted into a joint stock limited liability company on September 7, 2023.

Our historical financial information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**"). All IFRSs effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions and the related interpretations issued by the IASB, have been consistently applied by the Group in the preparation of the historical financial information throughout the Track Record Period.

Our historical financial information has been prepared on the historical cost basis except for financial assets that are measured at fair value through other comprehensive income and fair value through profit or loss ("**FVPL**") at the end of each reporting period.

MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operation. Our management evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. For details of our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, see notes 2 and 3 to the Accountants' Report in Appendix I.

Revenue and other income

We classify income as revenue when it arises from the sales of goods and the provision of services.

(i) Revenue from contracts with customers

We are the principal for our revenue transactions and recognize revenue on a gross basis. In determining whether we act as a principal or as an agent, we consider whether we obtain control of the products before they are transferred to the customers. Control refers to the our ability to direct the use of and obtain substantially all of the remaining benefits from the products or services.

We recognize revenue when control over a product or service is transferred to the customer at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than twelve 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 us, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. We take advantage of the practical expedient in paragraph 63 of IFRS 15 and do not adjust the consideration for any effects of a significant financing component if the period of financing is twelve months or less.

Further details of our revenue and other income recognition policies are as follows:

(a) Revenue from corporate-owned restaurant operations

Our corporate-owned restaurant operations included dine-in service and delivery business. Revenue is recognized at a point in time when the related services have been rendered to customers.

Our Group operates customer loyalty scheme for customers which enable customers to earn loyalty points on their consumptions in our restaurants. Points are redeemable against any future consumptions in the restaurants. Our Group allocates a portion of the consideration to loyalty points based on the relative stand-alone selling prices. The amount allocated to the loyalty points is deferred and recognized as revenue when loyalty points are redeemed or expired.

(b) Revenue from franchise management

The revenue of franchise management mainly generated from royalty and franchising income and provision of services as well as sales of goods and equipment.

Our Group enters into a series of agreements with each franchisee, which mainly include a license agreement and a sales agreement (collectively "**Franchise Agreements**"), whereby the franchisees are licensed to operate the franchised restaurants.

The franchisees employ and manage their own staffs to operate the restaurants and serve their customers (i.e. end consumers), and undertake the costs associated with the operations. The franchisees sell the dishes based on the menu and recipe provided by our Group.

The franchisees are responsible for the placement, physical custody and condition of the equipment and goods after the deliveries are accepted in restaurants. In general, our Group does not have any obligation or historical practices to accept any return of unsold products, except for rare cases such as a latent defect subject to product recall.

At the inception of the Franchise Agreements, franchisees are required to place a deposit to our Group throughout the franchise period. The deposits are refundable upon the termination of the Franchise Agreements, provided that the franchisees settled all outstanding balances with our Group.

Royalty and franchising income

Under the franchise agreements, franchisees pay a non-refundable upfront initial fee including the pre-opening training services fee upon entering into franchise agreements and monthly royalty fee. The non-refundable upfront initial fee is charged for pre-opening support services provided to the franchisees, including market and location analysis, certain advisory services like license application and pre-opening marketing, etc. As these services are highly interrelated with the franchise right, they are not individually distinct from the ongoing franchising arrangement with the franchisees. As a result, initial franchise fees, which are considered as consideration for us to provide right to access our intellectual property, are recognized on a straight-line basis over the expected franchise period, typically of 5 years. Unrecognized non-refundable upfront initial fee is recognized as contract liabilities in the consolidated statements of financial position.

Franchisees are also required to pay a monthly royalty fee, which is determined based on a fixed percentage of the GMV generated by the franchised restaurants. Fixed amount royalty fees are recognized monthly. For fixed percentage royalty fees, we apply "sales-based royalty" under IFRS 15 "Revenue from Contracts with Customers" to recognize the royalty fees when the sales to end customers occurred or the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied), whichever is the later.

Provision of services

Our Group provide other services including system maintenance and support services to franchisees. Revenue is recognized when these services are performed in the accounting period in which the services are rendered.

Sales of goods and equipment

Revenue from sales of goods and equipment to franchisees is recognized at the point in time when the franchisees accept the products and the control over those products is transferred to the franchisees.

(ii) Dividends

Dividend income is recognized in profit or loss on the date we establish our right to receive payment.

(iii) Interest income

Interest income is recognized using the effective interest method.

(iv) Government grants

We recognize government grants in the statements 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.

Leased assets

At inception of a contract, we assess whether the contract is, or contains, a lease. This is the case 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.

(a) As a lessee

Where the contract contains lease component(s) and non-lease component(s), we have 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, we recognize a right-of-use asset and a lease liability, except for short-term leases that have a lease term of twelve months or less and leases of low-value assets. When we enter into a lease in respect of a low-value asset, we decide whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized in profit or loss 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 recognized 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 adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, 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) to the Accountants' Report in Appendix I).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortized cost (see notes 2(e)(i), 2(t)(iv) and 2(i)(i) to the Accountants' Report in Appendix I). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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 our estimate of the amount expected to be payable under a residual value guarantee, or if we change its assessment of whether we will 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 lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(b) As a lessor

We determine at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, we allocate the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with note 2(t) to the Accountants' Report in Appendix I.

When we are an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which we apply the exemption described in note 2(h)(i) to the Accountants' Report in Appendix I, then we classify the sub-lease as an operating lease.

Property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at cost, less accumulated depreciation and any accumulated impairment losses. See note 2(i)(ii) to the Accountants' Report in Appendix I.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

The estimated useful lives are as follows:

Right-of-use assets	Over the lease term
Leasehold improvement	Over the lease term
Kitchen equipment	2-5 years
Electronic equipment	2-5 years
Other equipment	4-5 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

IMPACT OF COVID-19 PANDEMIC

In 2022, our business and results of operations were affected by the COVID-19 pandemic to a certain extent. Notably, our restaurants experienced reduced customer traffic, temporary closures and reduced operating hours in 2022. We also experienced a slowdown in the expansion of our restaurant network in 2022 in light of the resurgence of COVID-19 outbreaks. As a result, we recorded a net loss of RMB36.0 million in 2022.

We have taken comprehensive measures to mitigate the negative impact of the COVID-19 pandemic, including (i) implementing more stringent cost controls, (ii) negotiating with our landlords to obtain more favorable terms, (iii) proactively developing our delivery business by designing, updating and diversifying our menu items for delivery scenarios and improving our service capabilities to meet increasing consumer demand for food delivery services, and (iv) remaining agile with pandemic control measures to resume restaurant operations by adopting flexible working hours.

Following the ease of the COVID-19 pandemic in early 2023, our customer traffic and operating days resumed and our financial performance exhibited a strong rebound with an 91.5% year-on-year increase in revenue and a net profit of RMB45.9 million in 2023. Notably, our revenue from corporate-owned restaurant operations thrived with a 99.5% year-on-year increase in the same year. Despite the challenges brought by the COVID-19 pandemic in 2022, we believe that the COVID-19 pandemic will not continue to have any material adverse effect on our business operations or financial performance. For details on related risks, see "Risk Factors — We face risks related to instances of food-borne illnesses, health epidemics and other outbreaks."

SUMMARY OF RESULTS OF OPERATIONS DURING THE TRACK RECORD PERIOD

The following table sets forth a summary of our consolidated results of operations for the respective periods indicated:

	For the year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Revenue	**418,096**	**800,514**	**1,154,434**
Raw materials and consumables used	(160,138)	(290,270)	(395,701)
Staff costs	(109,264)	(175,194)	(265,062)
Depreciation of right-of-use assets	(94,620)	(125,429)	(188,845)
Depreciation and amortization of property, plant and equipment and intangible assets	(21,828)	(24,213)	(37,649)
Utility expenses	(14,119)	(27,487)	(44,543)
Other rentals and related expenses	(4,523)	(18,365)	(21,632)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Advertising and promotion expenses	(6,150)	(5,044)	(13,339)
Travelling and related expenses	(1,929)	(3,742)	(5,672)
Other expenses	(34,595)	(59,790)	(88,721)
Other income	7,504	14,143	8,967
Other net (losses)/gains	(177)	286	3,116
Finance costs	(16,962)	(19,333)	(27,771)
Impairment losses of property, plant and equipment	(9,440)	(8,938)	(1,589)
Profit/(Loss) before taxation	**(48,145)**	**57,138**	**74,881**
Income tax	12,172	(11,224)	(14,181)
Profit/(Loss) for the year	**(35,973)**	**45,914**	**60,700**

Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use the adjusted net profit/(loss) (a non-IFRS measure) and adjusted net profit/(loss) margin (a non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that such non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain items. We believe that such measure provides useful information to [**REDACTED**] and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of the adjusted net profit/(loss) (a non-IFRS measure) and adjusted net profit/(loss) margin (a non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation form, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define the adjusted net profit/(loss) (a non-IFRS measure) as profit/(loss) for the year by eliminating (i) our equity-settled share-based payment expenses, (ii) [**REDACTED**], and (iii) tax effect of the above non-IFRS adjustments. Our management considers that (1) equity-settled share-based payment expenses are non-cash in nature and do not result in cash outflow and (2) [**REDACTED**] are expenses relating to the [**REDACTED**]. We define the adjusted net profit/(loss) margin (a non-IFRS measure) as the adjusted net profit/(loss) (a non-IFRS measure) for the year as percentages of the revenue for that year.

The following table reconciles our adjusted net profit (a non-IFRS measure) presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, namely profit/loss for the year:

	Year Ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) for the year	(35,973)	45,914	60,700
Equity-settled share-based payment expenses	1,337	1,419	3,139
[**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]
Tax effect of non-IFRS adjustments	(334)	(355)	(1,063)
Adjusted net profit/(loss) (a non-IFRS measure)	**(34,970)**	**46,978**	**63,888**
Adjusted net profit/(loss) margin (%) (a non-IFRS measure)	**(8.4)**	**5.9**	**5.5**

DESCRIPTION OF KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we primarily generated our revenue from corporate-owned restaurant operations and franchise management. Revenue from corporate-owned restaurant operations mainly comprises revenue from dine-in service and delivery business at our corporate-owned restaurants. Revenue from franchise management comprises revenue from royalty and franchising income and provision of service as well as sales of goods such as food ingredients and restaurant supplies to franchisees and sales of equipment to franchisees. Our revenue increased from RMB418.1 million in 2022 to RMB800.5 million in 2023 and further increased to RMB1,154.4 million in 2024, representing a CAGR of 66.2%. Over 95% of our revenue are generated in the Chinese mainland.

The following table sets forth a breakdown of our revenue and percentage to total revenue by business line for the periods indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Corporate-owned restaurant operations			
– Dine-in service	270,998	547,353	820,301
– Delivery business	65,738	124,587	180,709
Franchise management			
– Sales of goods and equipment	67,964	104,965	125,488
– Royalty and franchising income and provision of service	12,547	22,729	27,042
Others	849	880	894
Total	**418,096**	**800,514**	**1,154,434**

During the Track Record Period, the majority of our revenue was generated from our corporate-owned restaurants. As of December 31, 2022, 2023 and 2024, we had 111, 183 and 279 corporate-owned restaurants under our *Xiao Noodles* brand. We provide dine-in services at our corporate-owned restaurants. We also offer delivery services to customers. Revenue from dine-in service amounted to RMB271.0 million, RMB547.4 million and RMB820.3 million in 2022, 2023 and 2024, respectively, accounting for 64.8%, 68.4% and 71.1% of our total revenue for the respective periods. Revenue from delivery business amounted to RMB65.7 million, RMB124.6 million and RMB180.7 million in 2022, 2023 and 2024, respectively, accounting for 15.7%, 15.5% and 15.6% of our total revenue for the respective periods. Such increases were primarily due to the expansion of our corporate-owned restaurant network, leading to the increases in total number of dine-in and delivery orders. For detailed analysis, see "— Year to Year Comparison of Results of Operations."

Revenue from royalty and franchising income and provision of service primarily derives from our franchise model. We typically charge franchisees (i) an upfront initial fee in the amount specified in the respective agreements and (ii) a monthly royalty fee, which is calculated based on predetermined percentages of the GMV generated by the franchised restaurants. For further details of our franchise agreements, see "Business — Our Franchisees — Agreements with Franchisees." In 2022, 2023 and 2024, revenue from royalty and franchising income and provision of service amounted to RMB12.5 million, RMB22.7 million and RMB27.0 million, respectively, accounting for 3.0%, 2.8% and 2.3% of our total revenue for the respective periods. Such growth was mainly attributable to the increase in the number of our franchised restaurants from 50 as of December 31, 2022 to 69 as of December 31, 2023, and further to 81 as of December 31, 2024. In addition, we provide food ingredients, restaurant supplies and equipment to our franchisees. In 2022, 2023 and 2024, revenue from sales of these goods and equipment amounted to RMB68.0 million, RMB105.0 million and RMB125.5 million, respectively, accounting for 16.3%, 13.2% and 10.9% of our total revenue for the respective periods.

Revenue from others represents sales of retail products under our *Xiao Noodles* brand on e-commerce platforms. In 2022, 2023 and 2024, revenue from others amounted to RMB0.8 million, RMB0.9 million and RMB0.9 million, respectively, accounting for 0.2%, 0.1% and 0.1% of our total revenue for the respective periods.

Restaurant performance

The following table sets forth certain key performance indicators of our corporate-owned and franchised *Xiao Noodles* restaurants(1) in China by region for the periods indicated.

	For the year ended December 31,		
	2022	**2023**	**2024**
GMV(2) *(RMB'000)*			
First-tier and new first-tier cities	408,196	797,892	1,097,401
Second-tier cities and below	103,012	162,176	235,298
Hong Kong SAR	–	–	15,723(3)
Total	**511,209**	**960,068**	**1,348,422**
Average daily sales per restaurant(4) *(RMB)*			
First-tier and new first-tier cities	12,015	14,158	12,444
Second-tier cities and below	11,115	12,657	11,629
Hong Kong SAR	–	–	51,215
Overall	**11,822**	**13,880**	**12,402**
Total number of orders(5) *(thousands)*			
First-tier and new first-tier cities	11,338	23,411	34,446
Second-tier cities and below	2,822	4,808	7,388
Hong Kong SAR	–	–	260(3)
Total	**14,160**	**28,219**	**42,094**

	For the year ended December 31,		
	2022	2023	2024
Average spending per order[6] *(RMB)*			
First-tier and new first-tier cities	36.0	34.1	31.9
Second-tier cities and below	36.5	33.7	31.8
Hong Kong SAR	–	–	60.4
Overall	**36.1**	**34.0**	**32.0**
Seat turnover rate[7]			
First-tier and new first-tier cities	3.2	4.0	3.8
Second-tier cities and below	2.7	3.2	3.2
Hong Kong SAR	–	–	6.8
Overall	**3.1**	**3.8**	**3.7**

Notes:

(1) The above key performance indicators of our corporate-owned and franchised *Xiao Noodles* restaurants do not include the restaurants jointly operated with an Independent Third Party in 2022 and 2023. For details of the background our jointly operated restaurants, see "Business — Our Franchisees." During the Track Record Period, there was no significant difference in the performance of our corporate-owned and franchised restaurants.

(2) Representing the total sales value of food and beverage sold under the restaurant operations and delivery business of restaurants under both our corporate-owned and franchise models over the period, after deducting any fees or costs such as discounts or returns.

(3) In 2024, we operated three corporate-owned restaurants in Hong Kong SAR, which were opened in April, November and December, 2024.

(4) Average daily sales per restaurant is calculated by dividing (i) the total GMV generated from restaurant operations and delivery business of restaurants under both our corporate-owned and franchise models by (ii) the total operation days of such restaurants for the period. The number of the total operation days of such restaurants is the sum of the operation days of all *Xiao Noodles* restaurants in the relevant regions.

(5) Total number of orders include the number of orders placed by dine-in customers and customers of our delivery services for the period in the relevant regions.

(6) Average spending per order is calculated by dividing (i) the total GMV generated from restaurant operations and delivery services of restaurants under both our corporate-owned and franchise models by (ii) the total number of orders, including orders placed by both dine-in customers and customers of our delivery services, for the period in the relevant regions.

(7) Seat turnover rate is calculated by dividing the aggregate number of orders placed by dine-in customers by the sum of products of the restaurant operation days and seat count of each restaurant for the period.

Raw Materials and Consumables Used

Our raw materials and consumables used mainly consist of food ingredients, such as meat, condiments, and packaging materials. For the years ended December 31, 2022, 2023 and 2024, our raw materials and consumables used amounted to RMB160.1 million, RMB290.3 million and RMB395.7 million, respectively, accounting for 38.3%, 36.3% and 34.3% of our total revenue for the respective periods.

The following table sets out a breakdown of our raw materials and consumables used in absolute amounts:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Food ingredients	151,851	275,022	371,517
Packaging materials	8,287	15,248	24,184
Total	**160,138**	**290,270**	**395,701**

Staff Costs

Our staff costs comprise (1) (i) salaries, wages and other benefits, (ii) contributions to defined contribution retirement plan, (iii) equity-settled share-based payment expenses to our employees, and (2) outsourced staff costs representing payments to third-party human resource service providers in relation to our outsourced staff. For the years ended December 31, 2022, 2023 and 2024, our staff costs amounted to RMB109.3 million, RMB175.2 million and RMB265.1 million, respectively, accounting for 26.1%, 21.9% and 23.0% of our total revenue for the respective periods.

The following table sets forth a breakdown of our staff costs during the Track Record Period:

	For the year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	103,667	158,135	145,456
Contributions to defined contribution retirement plans	4,260	6,829	10,238
Equity-settled share-based payment expenses	1,337	1,419	3,139
Outsourced staff costs	–	8,811	106,229
Total	**109,264**	**175,194**	**265,062**

Depreciation of Right-of-Use Assets

Our depreciation of right-of-use assets represents depreciation charges for our leases for our restaurants, warehouses and offices. For the years ended December 31, 2022, 2023 and 2024, our depreciation of right-of-use assets amounted to RMB94.6 million, RMB125.4 million and RMB188.8 million, respectively, accounting for 22.6%, 15.7% and 16.4% of our total revenue for the respective periods.

Other Rentals and Related Expenses

Our other rentals and related expenses mainly represent (i) lease payments for leases of low-value assets and leases that had a lease term of twelve months or less, and (ii) the variable lease payments based on operation results of related restaurants. In 2022, 2023 and 2024, our other rentals and related expenses amounted to RMB4.5 million, RMB18.4 million and RMB21.6 million, respectively, accounting for 1.1%, 2.3% and 1.9% of our total revenue for the respective periods.

Depreciation and Amortization of Property, Plant and Equipment and Intangible Assets

Our depreciation and amortization of property, plant and equipment and intangible assets mainly represent depreciation and amortization charges for our capitalized renovation costs and certain equipment in our restaurants. In 2022, 2023 and 2024, our depreciation and amortization of property, plant and equipment and intangible assets amounted to RMB21.8 million, RMB24.2 million and RMB37.6 million, respectively, accounting for 5.2%, 3.0% and 3.3% of our total revenue for the respective periods.

Utility Expenses

Our utility expenses mainly represent expenses incurred for electricity and water utilities by our corporate-owned restaurants. In 2022, 2023 and 2024, our utility expenses amounted to RMB14.1 million, RMB27.5 million and RMB44.5 million, respectively, accounting for 3.4%, 3.4% and 3.9% of our total revenue for the respective periods.

[REDACTED]

Our [**REDACTED**] mainly represent expenses relating to the [**REDACTED**]. We did not incur any [**REDACTED**] in 2022 and 2023. We incurred [**REDACTED**] of [**REDACTED**] million in 2024, accounting for [**REDACTED**] of our total revenue for the year.

Advertising and Promotion Expenses

Our advertising and promotion expenses mainly derive from restaurant-level and headquarters-level marketing campaigns and our branding activities. In 2022, 2023 and 2024, our advertising and promotion expenses amounted to RMB6.2 million, RMB5.0 million and RMB13.3 million, respectively, accounting for 1.5%, 0.6% and 1.2% of our total revenue for the respective periods.

Travelling and Related Expenses

Our travelling and related expenses mainly represent expenses on business trips of our employees. In 2022, 2023 and 2024, our travelling and related expenses amounted to RMB1.9 million, RMB3.7 million and RMB5.7 million, respectively, accounting for 0.5%, 0.5% and 0.5% of our total revenue for the respective periods.

Other Expenses

Our other expenses primarily comprise (i) service fee paid to third-party online food delivery platforms, including both delivery service commissions and delivery fees, (ii) materials for restaurant operation, which consist of restaurant supplies apart from food ingredients and packaging materials, (iii) transportation expenses paid to logistics service providers, (iv) maintenance expenses including cleansing service expenses and general maintenance expenses, (v) software service fee for our informatization efforts, (vi) bank and other charges, (vii) professional service fees such as performance assessment expenditures by engaging mystery guest reviews and annual audit fees, (viii) business tax and surcharges, (ix) office expenses, and (x) other miscellaneous expenses. The table below sets forth a breakdown of our other expenses for the periods indicated:

	For the year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Service fee paid to third-party online food delivery platforms	14,930	28,800	42,275
Materials for restaurant operation	5,895	10,621	14,926
Transportation expenses	3,087	5,120	7,733
Maintenance expenses	1,895	2,917	4,750
Software service fee	1,974	2,452	4,086
Bank and other charges	917	1,667	3,607
Professional service fees	2,006	2,949	2,481
Business tax and surcharges	519	1,328	2,146
Office expenses	1,429	1,477	2,113
Others	1,943	2,459	4,604
Total	**34,595**	**59,790**	**88,721**

In 2022, 2023 and 2024, our other expenses amounted to RMB34.6 million, RMB59.8 million and RMB88.7 million, respectively.

Other Income

Our other income primarily consists of (i) government grants, which mainly represent unconditional cash awards granted by the government authorities in the Chinese mainland, relating to business stability subsidies, COVID-19 relief support for catering industries and incentives for retail sales growth, (ii) interest income on bank deposits, rental deposits and lease payment receivables, (iii) investment income from financial assets measured at FVPL, which represents realized gains on our investments in structured deposits, and (iv) income from value-added tax super deduction and exemption granted by the government authorities in the Chinese mainland. In 2022, 2023 and 2024, our other income amounted to RMB7.5 million, RMB14.1 million and RMB9.0 million, respectively.

The following table sets forth a breakdown of our other income for the periods indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	2,175	1,863	5,760
Interest income on:			
Rental deposits	986	1,308	1,889
Bank deposits	470	1,070	573
Lease payment receivables	572	411	239
Investment income from financial assets measured at FVPL	311	537	506
Income from value-added tax super deduction and exemption	2,990	8,954	–
Total	**7,504**	**14,143**	**8,967**

Other Net (Losses)/Gains

Our other net losses or gains primarily consist of (i) gains on early termination of leases, (ii) net fair value changes of financial assets measured at FVPL, representing unrealized gains on our investments in structured deposits, (iii) losses on restaurants closures, mainly arising from loss on disposal of assets and loss on deposits of closed corporate-owned restaurants, and (iv) donation for establishing a campus charity fund at the South China University of Technology and expenses for the "Baobao Meal Charity Program". In 2022, 2023 and 2024, our other net (losses)/gains amounted to RMB(0.2) million, RMB0.3 million and RMB3.1 million, respectively. The table below sets forth a breakdown of our other net losses or gains for the periods indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Gains on early termination of leases	130	1,482	4,142
Net fair value changes of financial assets measured at FVPL	9	63	261
Losses on restaurants closures	(855)	(1,461)	(515)
Donation	–	(88)	(600)
Others	539	290	(172)
Total	**(177)**	**286**	**3,116**

Finance Costs

Our finance costs consist of interest on lease liabilities, interest on bank loans and unwind of discount on provisions for reinstatement costs at the expiration of certain leases of our corporate-owned restaurants. In 2022, 2023 and 2024, our finance costs amounted to RMB17.0 million, RMB19.3 million and RMB27.8 million, respectively. The table below sets forth a breakdown of our finance costs for the periods indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	16,600	19,074	27,083
Interest on bank loans	208	45	381
Unwind of discount on provisions	154	214	307
Total	**16,962**	**19,333**	**27,771**

Impairment Losses of Property, Plant and Equipment

Our impairment losses of property, plant and equipment are primarily generated from impairment losses of assets of our underperforming restaurants. At each reporting year, we perform impairment testing on property, plant and equipment and right-of-use assets of each restaurant to identify whether there is any indication of impairment. In view of the unfavorable future prospects of certain restaurants, we recognized an impairment loss of RMB9.4 million, RMB8.9 million and RMB1.6 million in 2022, 2023 and 2024, respectively.

Income Tax

Taxable income for our Group's PRC subsidiaries are generally subject to PRC income tax rate of 25% during the Track Record Period.

Certain subsidiaries met the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the Chinese mainland, and were entitled to a preferential income tax rate of 5% on taxable income during the Track Record Period.

Certain subsidiaries fell within the state encouraged industries in the specified western regions and were entitled to a preferential income tax rate of 15% during the Track Record Period.

Our Group's has established subsidiaries in Hong Kong since 2023. Except for one subsidiary of our Group which is a qualifying corporation under the two-tiered profit tax rate regime for the year ended 31 December 2024, the remaining subsidiaries did not have any other assessable profits for the years ended 31 December 2023 and 2024.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The provision for Hong Kong profit tax for 2024 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2023/24 subject to a maximum reduction of HK$3,000 for each business.

In 2022, we recorded income tax credit of RMB12.2 million. In 2023 and 2024, we recorded income tax expenses of RMB11.2 million and RMB14.2 million, respectively. During the Track Record Period and as of the Latest Practicable Date, we did not have any disputes or unresolved issues with the relevant tax authorities.

Profit/(Loss) for the Year

We recorded loss for the year of RMB36.0 million in 2022. We recorded profit for the year of RMB45.9 million and RMB60.7 million in 2023 and 2024, respectively. Our net profit/(loss) margin amounted to (8.6)%, 5.7% and 5.3% in 2022, 2023 and 2024, respectively.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our total revenue increased by 44.2% from RMB800.5 million in 2023 to RMB1,154.4 million in 2024, primarily due to the increases in revenue contribution from all business lines in 2024.

Dine-in service

Revenue from dine-in service increased by 49.9% from RMB547.4 million in 2023 to RMB820.3 million in 2024, which was primarily due to the increase in the number of our corporate-owned restaurants from 183 as of December 31, 2023 to 279 as of December 31, 2024. As a result, total number of orders served by our restaurants increased significantly from approximately 28.2 million in 2023 to approximately 42.1 million in 2024, and our GMV increased from approximately RMB960.1 million in 2023 to approximately RMB1,348.4 million in 2024. Such increases were partially offset by the decrease in average spending per order of our restaurants from RMB34.0 in 2023 to RMB32.0 in 2024, primarily because we took the initiative to reduce the prices of our menu items and provide customers with a more value-for-money dining experience in order to attract more customers, which was evidenced by the substantial increase in the number of dine-in orders in 2024.

Delivery business

Revenue from delivery business increased by 45.0% from RMB124.6 million in 2023 to RMB180.7 million in 2024, which was primarily due to the expansion of our corporate-owned restaurant network, resulting in the increase in number of delivery orders from approximately 5.9 million in 2023 to approximately 8.2 million in 2024.

Royalty and franchising income and provision of service

Revenue from royalty and franchising income and provision of service increased by 19.0% from RMB22.7 million in 2023 to RMB27.0 million in 2024, which was primarily due to the increase in the number of our franchised restaurants from 69 as of December 31, 2023 to 81 as of December 31, 2024.

Sales of goods and equipment

Revenue from sales of goods and equipment increased by 19.6% from RMB105.0 million in 2023 to RMB125.5 million in 2024, which was primarily due to the increased sales of food ingredients, which were in line with the increase in the number of our franchised restaurants.

Others

Revenue from others remained stable at RMB0.9 million in both 2023 and 2024.

Raw materials and consumables used

Our raw materials and consumables used increased by 36.3% from RMB290.3 million in 2023 to RMB395.7 million in 2024, primarily due to the increased consumption of food ingredients and packaging materials in line with our restaurant network expansion. Our raw materials and consumables used as a percentage of our revenue decreased from 36.3% in 2023 to 34.3% in 2024, primarily due to a structural shift in our cost structure following the proportional increase in the number of our corporate-owned restaurants, cost of raw materials and consumables of which accounted for a lower proportion of their corresponding revenue as compared with our franchised restaurants. The percentage of the cost of raw materials and consumables over the revenue attributable to our corporate-owned restaurants, decreased from 29.0% in 2023 to 28.4% in 2024, as we have benefited from the economies of scale following the expansion of our restaurant network and our continuous effort in managing our procurement prices, and the year-on-year decrease in the market prices of key food ingredients such as beef and chicken in the Chinese mainland during the relevant period, according to Frost & Sullivan.

Staff costs

Our staff costs increased by 51.3% from RMB175.2 million in 2023 to RMB265.1 million in 2024, which was primarily due to (i) the increase in salaries, wages and other benefits and outsourced staff costs attributable to the increase in the number of our staff at restaurant level following the expansion of our corporate-owned restaurant network and (ii) the increase in the number of our employees at headquarters level which is in line with the expansion of our restaurant network and our recruitment of talents for future development. Our staff costs as a percentage of our revenue increased from 21.9% in 2023 to 23.0% in 2024, primarily due to the increase in revenue from our corporate-owned restaurants as a percentage of total revenue as we did not incur staff costs at restaurant level for franchise management business.

Depreciation of right-of-use assets

Our depreciation of right-of-use assets increased by 50.6% from RMB125.4 million in 2023 to RMB188.8 million in 2024, primarily due to the increase in the number of our corporate-owned restaurants from 183 as of December 31, 2023 to 279 as of December 31, 2024, leading to an increase in the number of our leases.

Other rentals and related expenses

Our other rentals and related expenses increased by 17.8% from RMB18.4 million in 2023 to RMB21.6 million in 2024, primarily due to the increase in variable lease payments of our restaurants as a result of the increased number of corporate-owned restaurants with variable rent arrangements and the enhanced performance of these restaurants.

Depreciation and amortization of property, plant and equipment and intangible assets

Our depreciation and amortization of property, plant and equipment and intangible assets increased by 55.5% from RMB24.2 million in 2023 to RMB37.6 million in 2024, primarily due to the increase in depreciation and amortization of restaurant renovations and equipment attributable to our increased number of corporate-owned restaurants. Our depreciation and amortization of property, plant and equipment and intangible assets as a percentage of our revenue remained relatively stable at 3.0% in 2023 and 3.3% in 2024 respectively.

Utility expenses

Our utility expenses increased by 62.1% from RMB27.5 million in 2023 to RMB44.5 million in 2024, primarily due to an increase in the number of our corporate-owned restaurants. Our utility expenses as a percentage of our revenue increased slightly from 3.4% in 2023 to 3.9% in 2024.

[**REDACTED**]

Our [**REDACTED**] increased from [**REDACTED**] in 2023 to [**REDACTED**] in 2024 due to the preparation for the [**REDACTED**].

Advertising and promotion expenses

Our advertising and promotion expenses increased by 164.5% from RMB5.0 million in 2023 to RMB13.3 million in 2024, primarily due to (i) the increased expenses for restaurant promotion charged by the property owners of our leased properties along with our restaurant network expansion, (ii) the increased regular advertising expenses related to our branding efforts on social media platforms, and (iii) the increased expenses for our promotion of new menu items. As a result, our advertising and promotion expenses as a percentage of our revenue increased slightly from 0.6% in 2023 to 1.2% in 2024.

Travelling and related expenses

Our travelling and related expenses increased by 51.6% from RMB3.7 million in 2023 to RMB5.7 million in 2024, primarily due to increased business trips driven by our ongoing restaurant network expansion and regular store inspections conducted by our headquarters following the expansion of our restaurant network. Our travelling and related expenses as a percentage of our revenue remained stable at 0.5% in both 2023 and 2024, respectively.

Other expenses

Our other expenses increased by 48.4% from RMB59.8 million in 2023 to RMB88.7 million in 2024, primarily due to (i) an increase in service fee paid to third-party online food delivery platforms of RMB13.5 million as a result of the increase in delivery service commission and delivery fees paid to delivery platforms in line with the increase in scale of our delivery business, (ii) an increase in materials for restaurant operation of RMB4.3 million as a result of regular purchases and replacements of supplies and tableware for our restaurants operations, in line with our restaurant network expansion, and (iii) an increase in transportation expenses of RMB2.6 million mainly arising from the delivery of food ingredients and restaurant supplies to our corporate-owned restaurants in line with our business expansion. Our other expenses as a percentage of our revenue remained stable at 7.5% and 7.7% in 2023 and 2024, respectively.

Other income

Our other income decreased by 36.6% from RMB14.1 million in 2023 to RMB9.0 million in 2024, primarily due to a decrease in income from value-added tax super deduction and exemption of RMB9.0 million, as the Additional VAT Credit Policy for Production and Living Service Industry Enterprises expired in December 2023.

Other net gains

Our other net gains increased significantly by 989.5% from RMB0.3 million in 2023 to RMB3.1 million in 2024, primarily due to an increase in gains on early termination of leases of RMB2.7 million in 2024.

Finance costs

Our finance costs increased by 43.6% from RMB19.3 million in 2023 to RMB27.8 million in 2024, primarily due to an increase in interest on lease liabilities of RMB8.0 million associated with the increase in the number of our leases driven by the expansion of our corporate-owned restaurant network.

Impairment losses of property, plant and equipment

Our impairment losses of property, plant and equipment decreased by 82.2% from RMB8.9 million in 2023 to RMB1.6 million in 2024, primarily due to the fall in the number of new under-performing corporate-owned restaurants in 2024.

Income tax expense

Our income tax expense increased by 26.3% from RMB11.2 million in 2023 to RMB14.2 million in 2024, primarily due to our increased taxable income.

Profit for the year

As a result of the foregoing, our profit for the year increased by 32.2% from RMB45.9 million in 2023 to RMB60.7 million in 2024.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our total revenue increased by 91.5% from RMB418.1 million in 2022 to RMB800.5 million in 2023, primarily due to the increases in revenue contribution from all business lines in 2023.

Dine-in service

Revenue from dine-in service increased by 102.0% from RMB271.0 million in 2022 to RMB547.4 million in 2023, primarily due to the increase in the number of our corporate-owned restaurants from 111 as of December 31, 2022 to 183 as of December 31, 2023. Following our restaurant network expansion as well as the ease of the COVID-19 pandemic, total number of orders served by our corporate-owned restaurants increased notably from approximately 14.2 million in 2022 to approximately 28.2 million in 2023, and the overall seat turnover rate of our corporate-owned restaurants increased from 3.1 in 2022 to 3.8 in 2023. Such increases were partially offset by the decrease in average spending per order of our restaurants from RMB36.1 in 2022 to RMB34.0 in 2023, primarily because we provided customers with a more value-for-money dining experience in order to attract more customers.

Delivery business

Revenue from delivery business increased by 89.5% from RMB65.7 million in 2022 to RMB124.6 million in 2023, which was primarily due to the increase in number of delivery orders from approximately 2.9 million in 2022 to approximately 5.9 million in 2023, as a result of the expansion of our corporate-owned restaurant network and the strong rebound of our performance following the ease of the COVID-19 pandemic.

Royalty and franchising income and provision of service

Revenue from royalty and franchising income and provision of service increased by 81.2% from RMB12.5 million in 2022 to RMB22.7 million in 2023, primarily due to the rebound of the performance of our franchised restaurants following the ease of the COVID-19 pandemic and the increase in the number of our franchised restaurants from 50 as of December 31, 2022 to 69 as of December 31, 2023.

Sales of goods and equipment

Revenue from sales of goods and equipment increased by 54.4% from RMB68.0 million in 2022 to RMB105.0 million in 2023, which was primarily due to the increase in sales of food ingredients, restaurant supplies and equipment to franchisees alongside the increased number of our franchised restaurants and the rebound of the performance of our franchised restaurants following the ease of the COVID-19 pandemic.

Others

Revenue from others remained relatively stable at RMB0.8 million in 2022 and RMB0.9 million in 2023.

Raw materials and consumables used

Our raw materials and consumables used increased by 81.3% from RMB160.1 million in 2022 to RMB290.3 million in 2023 generally in line with our revenue growth and restaurant network expansion. Our raw materials and consumables used as a percentage of our revenue decreased from 38.3% in 2022 to 36.3% in 2023, primarily due to the increase in the number of our corporate-owned restaurants, cost of raw materials and consumables of which accounted for a lower proportion of the corresponding revenue as compared with our franchised restaurants, as a result of our structural shift in our cost structure following the proportional increase in the number of our corporate-owned restaurants, and the percentage of the cost of raw materials and consumables over the revenue attributable to our corporate-owned restaurants, remained stable from 29.1% in 2022 to 29.0% in 2023.

Staff costs

Our staff costs increased by 60.3% from RMB109.3 million in 2022 to RMB175.2 million in 2023, which was primarily due to an increase in the number of our staff at restaurant level, as a result of the expansion of our corporate-owned restaurant network. Our staff costs as a percentage of our revenue decreased from 26.1% in 2022 to 21.9% in 2023, primarily due to the strong rebound of our revenue following the ease of the COVID-19 pandemic in early 2023.

Depreciation of right-of-use assets

Our depreciation of right-of-use assets increased by 32.6% from RMB94.6 million in 2022 to RMB125.4 million in 2023, primarily due to the increase in the number of our corporate-owned restaurants from 111 as of December 31, 2022 to 183 as of December 31, 2023, leading to an increase in the number of leases.

Other rentals and related expenses

Our other rentals and related expenses increased significantly by 306.0% from RMB4.5 million in 2022 to RMB18.4 million in 2023, primarily due to the increase in variable lease payments of our restaurants as a result of the strong rebound of our revenue following the ease of the COVID-19 pandemic in early 2023.

Depreciation and amortization of property, plant and equipment and intangible assets

Our depreciation and amortization of property, plant and equipment and intangible assets increased by 10.9% from RMB21.8 million in 2022 to RMB24.2 million in 2023, primarily due to the increase in depreciation and amortization of restaurant renovations and equipment in line with our increased number of corporate-owned restaurants. Our depreciation and amortization of property, plant and equipment and intangible assets as a percentage of our revenue decreased from 5.2% in 2022 to 3.0% in 2023, primarily due to the strong rebound of our revenue following the ease of the COVID-19 pandemic in early 2023.

Utility expenses

Our utility expenses increased by 94.7% from RMB14.1 million in 2022 to RMB27.5 million in 2023, primarily due to an increase in the number of our corporate-owned restaurants. Our utility expenses as a percentage of our revenue remained relatively stable at 3.4% in both 2022 and 2023, respectively.

Advertising and promotion expenses

Our advertising and promotion expenses decreased by 18.0% from RMB6.2 million in 2022 to RMB5.0 million in 2023, primarily because we adjusted our marketing strategy in 2023 as the rebound of our revenue following the ease of the COVID-19 pandemic leading to a reduced need to devote substantial resources on our brand promotion. As a result, our advertising and promotion expenses as a percentage of our revenue decreased from 1.5% in 2022 to 0.6% in 2023.

Travelling and related expenses

Our travelling and related expenses increased by 94.0% from RMB1.9 million in 2022 to RMB3.7 million in 2023, which was primarily due to the increased business trips driven by the expansion of our restaurant network. Our travelling and related expenses as a percentage of our revenue remained relatively stable at 0.5% in both 2022 and 2023, respectively.

Other expenses

Our other expenses increased by 72.8% from RMB34.6 million in 2022 to RMB59.8 million in 2023, primarily due to (i) an increase in service fee paid to third-party online food delivery platforms of RMB13.9 million as a result of the increase in commission and delivery fees paid to delivery platforms in line with our growing delivery orders, (ii) an increase in materials for restaurant operation of RMB4.7 million attributable to regular purchases and replacements of supplies and tableware for our restaurant operations, (iii) an increase in transportation expenses of RMB2.0 million mainly arising from the delivery of food ingredients and restaurant supplies to our corporate-owned restaurants in line with our business expansion, and (iv) an increase in maintenance expenses of RMB1.0 million. Our other expenses as a percentage of our revenue were 8.3% in 2022 and 7.5% in 2023, respectively.

Other income

Our other income increased by 88.5% from RMB7.5 million in 2022 to RMB14.1 million in 2023, primarily due to an increase in income from value-added tax super deduction and exemption of RMB6.0 million, as a result of the rebound of the revenue of our corporate-owned restaurants following the ease of the COVID-19 pandemic and the expansion of our corporate-owned restaurant network.

Other net (losses)/gains

In 2022, we recorded other net loss of RMB0.2 million. In 2023, we recorded other net gains RMB0.3 million. The turnaround from other net loss in 2022 to other net gains in 2023 was primarily due an increase in gains on early termination of leases of RMB1.4 million, partially offset by the increase in losses on restaurants closures of RMB0.6 million.

Finance costs

Our finance costs increased by 14.0% from RMB17.0 million in 2022 to RMB19.3 million in 2023, primarily due to an increase in interest on lease liabilities of RMB2.5 million associated with the increase in the number of our leases driven by the expansion of corporate-owned restaurant network.

Impairment losses of property, plant and equipment

Our impairment losses of property, plant and equipment decreased by 5.3% from RMB9.4 million in 2022 to RMB8.9 million in 2023, which was primarily due to the impairment of assets of underperforming restaurants, mainly including restaurant renovation and restaurant equipment.

Income tax credit/(expense)

In 2022, we recorded income tax credit of RMB12.2 million primarily due to a pre-tax loss of RMB48.1 million. In 2023, we recorded income tax expense of RMB11.2 million primarily due to a pre-tax profit of RMB57.1 million.

Profit/(Loss) for the year

As a result of the foregoing, we incurred loss for the year of RMB36.0 million in 2022 while we recorded profit for the year of RMB45.9 million in 2023.

SELECTED KEY ITEMS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Non-current Assets and Liabilities

The following table sets forth our non-current assets and liabilities as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Right-of-use assets	380,155	527,124	683,200
Property, plant and equipment	60,619	85,020	148,045
Rental deposits	28,471	39,824	47,728
Deferred tax assets	24,648	23,250	27,168
Intangible assets	3,328	3,417	4,152
Lease payment receivables	7,786	3,781	1,206
Financial assets measured at FVOCI	–	50	50
Other non-current assets	5,872	3,512	1,948
Total non-current assets	**510,879**	**685,978**	**913,497**
Non-current liabilities			
Contract liabilities	1,875	3,564	4,564
Lease liabilities	330,157	435,234	540,196
Provisions	4,310	6,631	8,735
Total non-current liabilities	**336,342**	**445,429**	**553,495**

Property, plant and equipment

Our property, plant and equipment comprise leasehold improvement, kitchen equipment, electronic equipment, other equipment and construction in progress. Our property, plant and equipment increased from RMB60.6 million as of December 31, 2022 to RMB85.0 million as of December 31, 2023, and further increased to RMB148.0 million as of December 31, 2024, primarily due to the expansion of our corporate-owned restaurant network.

Right-of-use assets

Our right-of-use assets primarily represent the leases for our corporate-owned restaurants. Our right-of-use assets increased from RMB380.2 million as of December 31, 2022 to RMB527.1 million as of December 31, 2023, and further increased to RMB683.2 million as of December 31, 2024, primarily due to increase in number of leases for our corporate-owned restaurants, from 111 as of December 31, 2022 to 183 as of December 31, 2023, and further to 279 as of December 31, 2024.

Rental deposits

Our rental deposits represent rental deposits for our corporate-owned restaurants. Our rental deposits increased from RMB28.5 million as of December 31, 2022 to RMB39.8 million as of December 31, 2023, and further increased to RMB47.7 million as of December 31, 2024, primarily due to the expansion of our corporate-owned restaurant network.

Current Assets and Liabilities

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

	As of December 31,			As of February 28,
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets				
Trade and other receivables	30,137	54,879	80,468	83,201
Financial assets measured at FVPL	7,009	25,063	70,261	24,949
Cash and cash equivalents	36,519	26,764	42,190	27,913
Restricted bank deposits	12,107	21,139	31,324	32,250
Inventories	16,639	27,098	22,666	20,355
Income tax recoverable	114	1,576	727	–
Total current assets	**102,525**	**156,519**	**247,636**	**188,668**

	As of December 31,			As of February 28,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current liabilities				
Lease liabilities	108,548	141,318	194,423	201,196
Trade and other payables	50,904	93,205	110,351	93,829
Contract liabilities	36,650	60,142	82,628	84,943
Short-term borrowings	9,982	–	50,000	–
Redemption liabilities	45,000	45,000	45,000	45,000
Current taxation	6	3,610	7,459	1,136
Total current liabilities	**251,090**	**343,275**	**489,861**	**426,104**
Net current liabilities	**(148,565)**	**(186,756)**	**(242,225)**	**(237,436)**

We had net current liabilities during the Track Record Period. As of December 31, 2022, 2023 and 2024 and February 28, 2025, our net current liabilities amounted to RMB148.6 million, RMB186.8 million, RMB242.2 million and RMB237.4 million, respectively. Our net current liabilities position was primarily because (i) we financed the expansion of our corporate-owned restaurant network with our current assets, especially cash and cash equivalents, for non-current items such as property, plant and equipment for restaurant decorations and purchases of equipment, (ii) a portion of our lease liabilities has been recorded as current liabilities while the corresponding balance of right-of-use assets has been recorded as non-current assets according to IFRS 16, and (iii) there was a redemption liability which will be reclassified from current liabilities to equity upon [**REDACTED**].

Our net current liabilities remained relatively stable at RMB242.2 million as of December 31, 2024 and RMB237.4 million as of February 28, 2025, respectively.

Our net current liabilities increased by 29.7% from RMB186.8 million as of December 31, 2023 to RMB242.2 million as of December 31, 2024, primarily due to (i) an increase in current lease liabilities of RMB53.1 million mainly attributable to our increased lease properties for the expansion of our corporate-owned restaurant network, (ii) an increase in short-term borrowings of RMB50.0 million and (iii) an increase in contract liabilities of RMB22.5 million in line with our business expansion, partially offset by (iv) an increase in financial assets measured at FVPL of RMB45.2 million representing our investments in structured deposits and (v) an increase in trade and other receivables of RMB25.6 million in line with our business expansion.

Our net current liabilities increased by 25.7% from RMB148.6 million as of December 31, 2022 to RMB186.8 million as of December 31, 2023, primarily due to (i) an increase in trade and other payables of RMB42.3 million mainly attributable to the growing procurement from suppliers, (ii) an increase in current lease liabilities of RMB32.8 million mainly attributable to the increased lease properties for the expansion of our corporate-owned restaurant network, and (iii) an increase in contract liabilities of RMB23.5 million in line with our business expansion, partially offset (iv) an increase in trade and other receivables of RMB24.7 million in line with our business expansion and (v) an increase in financial assets measured at FVPL of RMB18.1 million.

Going forward, we intend to improve our net current liabilities position through (i) further expanding our business scale and improving operation efficiency to generate more cash flows from operations, so as to fund our working capital need, (ii) closely monitoring our liquidity positions by way of regular review of our cash flows, and (iii) expanding our sources of fund to satisfy future capital needs, such as debt financing.

As of the Latest Practicable Date, we had banking facilities of RMB270.0 million, all of which remained unutilized.

Inventories

Our inventories primarily consist of food ingredients and other materials. The following table sets forth the balance of our inventories as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Food ingredients	16,299	26,652	22,037
Other materials	340	446	629
Total	**16,639**	**27,098**	**22,666**

Our inventories increased from RMB16.6 million as of December 31, 2022 to RMB27.1 million as of December 31, 2023 primarily because the number of our corporate-owned restaurants increased from 111 as of December 31, 2022 to 183 as of December 31, 2023, requiring us to procure more food inventories and other materials for the operation of our new corporate-owned restaurants. Our inventories decreased by 16.4% from RMB27.1 million as of December 31, 2023 to RMB22.7 million as of December 31, 2024, primarily because of our enhancement in inventory management efficiency.

During the Track Record Period, the aging of our inventories is typically within 60 days.

The following table sets forth our inventory turnover days for the periods indicated:

	For the year ended December 31,		
	2022	2023	2024
Inventory turnover days	41	27	23

Note: Inventory turnover days are calculated using the average of the beginning and ending inventories for the year divided by raw materials and consumables used for the same year and multiplied by 365 days.

Our inventory turnover days decreased from 41 days in 2022 to 27 days in 2023, primarily due to (i) the impact of store closures due to COVID-19 in 2022 and (ii) our enhanced inventory management efforts. Our inventory turnover days then decreased to 23 days in 2024, primarily due to our enhancement in inventory management efficiency.

As of February 28, 2025, RMB22.7 million, or 100% of our inventories as of December 31, 2024 had been used, consumed or sold subsequently.

Trade and other receivables

Our trade and other receivables primarily consist of (i) input value-added tax recoverable, (ii) deposits, mainly comprising rental deposits and other deposits in relation to our ordinary business operations, (iii) trade debtors, net of loss allowance, mainly including amounts due from third-party payment service providers and delivery platforms, which are generally settled within one month, and amounts due from franchisees representing franchise and royalty fees receivable from franchisees as well as receivables derived from sales of goods and equipment to them, (iv) prepayments to vendors, mainly representing prepaid rent and service fees, (v) lease payment receivables relating to subleasing, (vi) other receivables, mainly comprising petty cash of our restaurants, and (vii) the current portion of long-term receivables which represents the amount due from certain franchisees at longer payment terms for their upfront expenses for opening franchised restaurants to us as part of our strategy to nurture franchisees with potential.

The following table sets forth the breakdown of our trade and other receivables as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Input value-added tax recoverable	6,631	13,263	28,576
Deposits	4,099	13,665	19,903
Trade debtors, net of loss allowance	7,486	16,045	18,790
Prepayments to vendors	4,799	6,105	8,882
Lease payment receivables	4,052	4,005	2,425
Other receivables	1,844	1,113	1,338

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current portion of long-term receivables	1,226	683	431
Prepayment for [**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]
Total	**30,137**	**54,879**	**80,468**

Our trade and other receivables increased from RMB30.1 million as of December 31, 2022 to RMB54.9 million as of December 31, 2023, primarily due to the increase in trade debtors, net of loss allowance, deposits and input value-added tax recoverable of RMB8.6 million, RMB9.6 million and RMB6.6 million, respectively, in line with our business expansion. Our trade and other receivables further increased to RMB80.5 million as of December 31, 2024, primarily due to the increases in input value-added tax recoverable and deposits of RMB15.3 million and RMB6.2 million, respectively, in line with our business expansion.

As of December 31, 2022, 2023 and 2024, the aging analysis of trade debtors (which are included in trade and other receivables), based on the revenue recognition date, is as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	7,486	13,440	17,643
More than 1 month but within 3 months	–	2,605	1,147
Total	7,486	16,045	18,790

The following table sets forth our trade debtors turnover days for the periods indicated:

	For the year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade debtor turnover days	6	5	6

Note: Trade debtor turnover days are calculated using the average of opening balance and closing balance of trade debtors for a year divided by revenue for the relevant year and multiplied by 365 days.

Our trade debtor turnover days remained stable at six days in 2022, five days in 2023, and six days in 2024 primarily because our settlement arrangements with the relevant third-party payment service providers and delivery platforms remained stable.

All of the trade receivables are expected to be recovered or recognized as expense within one year or are recovered on demand.

As of February 28, 2025, RMB18.1 million, or 96.6%, of our trade receivables as of December 31, 2024 had been settled subsequently.

Financial assets measured at FVPL

Our financial assets measured at FVPL during the Track Record Period consisted of investments in wealth management products, all of which were liquid structured deposits issued by reputable commercial banks in China with guaranteed principal and variable returns tied to the performance of certain underlying financial assets. There are no fixed or determinable returns of these structured deposits. Our financial assets measured at FVPL amounted to RMB7.0 million, RMB25.1 million and RMB70.3 million as of December 31, 2022, 2023 and 2024, respectively.

We have adopted a comprehensive set of internal policies and guidelines to monitor and control risks associated with our investment in wealth management products. Our investment strategy aims to optimize the efficiency of idle funds, generate investment returns for our Shareholders, and minimize investment and financial risks. We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment. Specifically, we are only allowed by our internal policies and guidelines to invest in wealth management products that carry low risk labels and transact with qualified financial institutions, and shall prioritize the cooperation with reputable commercial banks. We primarily invest in highly liquid and essentially risk-free financial products with maturity less than three months. With the authorization of the Board, our finance department proposes, analyses and evaluates potential investment in wealth management products based on recommendations of our relationship and account managers at banks in China. Prior to making any material investments in wealth management products or modifying our existing investment portfolio, the proposal shall be approved by our chief executive officer and/or his designated senior member of our management.

In the future, we may continue to invest in structured deposits and other low-risk financial products that are in our Group's interest upon thorough evaluations and analysis, and we will ensure that all such investments comply with the applicable laws and regulations, including the relevant requirements under Chapter 14 of the Listing Rules after the [**REDACTED**].

Restricted bank deposits

Our restricted bank deposits mainly consist of restricted bank deposits reserved for balances in our stored value membership accounts in accordance with relevant regulations issued by Ministry of Commerce of PRC. Our restricted bank deposits increased from RMB12.1 million as of December 31, 2022 to RMB21.1 million as of December 31, 2023, and further increased to RMB31.3 million as of December 31, 2024, primarily due to the increase in the balances in stored value membership accounts, which was generally in line with the increase in the number of our stored value members alongside the expansion of our restaurant network.

Cash and cash equivalents

Our cash and cash equivalents comprise cash at bank and on hand. Our cash and cash equivalents amounted to RMB36.5 million, RMB26.8 million and RMB42.2 million as of December 31, 2022, 2023 and 2024, respectively. For further details, see "— Liquidity and Capital Resources."

Trade and other payables

Our trade and other payables consist of (i) trade payables, mainly arising from procurement of raw materials and consumables for our restaurant operations from suppliers, (ii) staff cost payable, (iii) other payables including amounts received from third-party platforms such as Meituan (美團) to be settled with franchisees, (iv) payables for purchase of property, plant and equipment, (v) deposits received from franchisees and suppliers, (vi) other taxes payables and (vii) dividends payable. The following table sets forth the breakdown of our trade and other payables as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	24,198	47,645	49,828
Staff cost payable	8,208	19,293	22,919
Other payables	4,770	10,669	13,516
Payables for purchase of property, plant and equipment	7,271	5,920	13,170
Deposits received from franchisees and suppliers	6,334	8,475	9,643
Other taxes payables	123	809	1,275
Dividends payable	–	394	–
Total	**50,904**	**93,205**	**110,351**

Our trade and other payables increased from RMB50.9 million as of December 31, 2022 to RMB93.2 million as of December 31, 2023, primarily due to (i) an increase in trade payables of RMB23.4 million in line with the increase amount of purchase from our suppliers as a result of our expansion of our restaurant network and (ii) an increase in staff cost payable of RMB11.1 million as a result of increased number of staff at restaurant level in line with our expansion of our restaurant network, and (iii) an increase in other payables of RMB5.9 million in line with the increase in the number of our franchised restaurants. Our trade and other payables further increased to RMB110.4 million as of December 31, 2024, primarily due to an increase in payables for purchase of property, plant and equipment of RMB7.3 million as affected by the progress of our restaurant opening preparations and an increase in staff cost payable of RMB3.6 million as a result of increased number of staff at restaurant level in line with our expansion of our restaurant network.

As of December 31, 2022, 2023 and 2024, the aging analysis of trade payables, based on the invoice date, is as follows:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	24,198	47,645	49,828

The following table sets forth our trade payables turnover days for the respective periods indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
Trade payable turnover days	52	45	45

Note: Trade payable turnover days are calculated using the average of opening balance and closing balance of trade payables for a year divided by raw materials and consumables used for the relevant year and multiplied by 365 days.

Our trade payables turnover days decreased from 52 days in 2022 to 45 days in 2023, primarily due to our accelerated payment to suppliers for more favourable terms of our procurement. Our trade payables turnover days then remained stable at 45 days in 2024.

Our trade payables are expected to be settled within one year or are repayable on demand. As of February 28, 2025, all of our trade payables as of December 31, 2024 had been settled subsequently.

Redemption liabilities

Our redemption liabilities relate to the repurchase obligation of our Company towards the Shares issued under Series B capital increase agreement. Our Company has recognized a liability of RMB45.0 million. Our redemption liabilities remained stable at RMB45.0 million as of December 31, 2022, 2023 and 2024, respectively.

Contract liabilities

Our contract liabilities primarily consist of the receipt of advance payment of franchising income from our franchisees, balances in stored value membership accounts and issued vouchers and contract liabilities of our customer loyalty scheme. Our contract liabilities increased from RMB36.7 million as of December 31, 2022 to RMB60.1 million as of December 31, 2023, and further increased to RMB82.6 million as of December 31, 2024, primarily due to (i) the increase in the number of our stored value members and the increase in the balances in stored value membership accounts in line with our business expansion, and (ii) the increase in upfront initial fees paid by franchisees as a result of the expansion of our franchise management business network.

As of February 28, 2025, RMB18.9 million, or 21.6% of our contract liabilities as of December 31, 2024 had been recognized as revenue subsequently.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we funded our cash requirements principally from cash generated from operations and bank borrowings. As of December 31, 2022, 2023 and 2024, we had cash and cash equivalents of RMB36.5 million, RMB26.8 million and RMB42.2 million, respectively, which were denominated in Renminbi and Hong Kong Dollars. We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimum liquidity that can meet our working capital needs while supporting continuing business expansion. We expect that our liquidity requirements in the future will be satisfied by using a combination of cash generated from operations, bank borrowings and [**REDACTED**] from the [**REDACTED**].

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

	For the year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	104,773	245,126	313,546
Net cash used in investing activities	(36,001)	(78,007)	(143,093)
Net cash used in financing activities	(75,761)	(176,874)	(155,059)

	For the year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net increase/(decrease) in cash and cash equivalents	(6,989)	(9,755)	15,394
Cash and cash equivalents at beginning of the year	43,508	36,519	26,764
Effect of foreign exchange rate changes	–	–	32
Cash and cash equivalents at end of year	36,519	26,764	42,190

Net Cash Generated from Operating Activities

In 2024, our net cash generated from operating activities of RMB313.5 million was primarily attributable to profit before taxation of RMB74.9 million, as adjusted by non-cash and non-operational items totaling RMB251.5 million, changes in working capital and income tax paid of RMB12.9 million. Changes in working capital mainly consisted of (i) an increase in trade and other receivables and rental deposits of RMB30.0 million, (ii) an increase in contract liabilities of RMB23.5 million, and (iii) an increase in restricted bank deposits of RMB10.2 million.

In 2023, our net cash generated from operating activities of RMB245.1 million was primarily attributable to profit before taxation of RMB57.1 million, as adjusted by non-cash and non-operational items totaling RMB174.7 million, changes in working capital and income tax paid of RMB13.3 million. Changes in working capital mainly consisted of (i) an increase in trade and other payables and accruals of RMB43.3 million, (ii) an increase in trade and other receivables and rental deposits of RMB32.0 million, and (iii) an increase in contract liabilities of RMB25.2 million.

In 2022, our net cash generated from operating activities of RMB104.8 million was primarily attributable to loss before taxation of RMB48.1 million, as adjusted by non-cash and non-operational items totaling RMB142.1 million, changes in working capital and income tax paid of RMB10.8 million. Changes in working capital mainly consisted of (i) an increase in contract liabilities of RMB17.7 million, (ii) an increase in restricted bank deposits of RMB6.1 million and (iii) an increase in trade and other receivables and rental deposits of RMB6.0 million.

See "— Selected Key Items of Consolidated Statement of Financial Position" for primary reasons relating to the underlying causes for our operating cash flow changes.

Net Cash Used in Investing Activities

In 2024, our net cash used in investing activities amounted to RMB143.1 million, which was primarily attributable to (i) payment for purchases of financial assets measured at FVPL of RMB436.0 million and (ii) payment for purchases of property, plant and equipment, and right-of-use assets of RMB97.3 million, partially offset by (iii) proceeds from maturity of financial assets measured at FVPL of RMB391.1 million.

In 2023, our net cash used in investing activities amounted to RMB78.0 million, which was primarily attributable to (i) payment for purchases of financial assets measured at FVPL of RMB345.0 million and (ii) payment for purchases of property, plant and equipment, and right-of-use assets of RMB60.7 million, partially offset by (iii) proceeds from maturity of financial assets measured at FVPL of RMB327.0 million.

In 2022, our net cash used in investing activities amounted to RMB36.0 million, which was primarily attributable to (i) payment for purchases of financial assets measured at FVPL of RMB142.0 million and (ii) payment for purchases of property, plant and equipment, and right-of-use assets of RMB30.8 million, partially offset by (iii) proceeds from maturity of financial assets measured at FVPL of RMB135.0 million.

Net Cash Used in Financing Activities

In 2024, our net cash used in financing activities amounted to RMB155.1 million, which was primarily attributable to (i) payment of capital element of lease liabilities of RMB177.1 million and (ii) payment of interest element of lease liabilities of RMB27.1 million, partially offset by (iii) proceeds from bank loans of RMB50.0 million.

In 2023, our net cash used in financing activities amounted to RMB176.9 million, which was primarily attributable to (i) payment of capital element of lease liabilities of RMB128.6 million, (ii) repayment of bank loans of RMB35.1 million, (iii) dividends paid to equity shareholders of the Company of RMB19.2 million and (iv) payment of interest element of lease liabilities of RMB19.1 million, partially offset by (v) proceeds from bank loans of RMB25.1 million.

In 2022, our net cash used in financing activities amounted to RMB75.8 million, which was primarily attributable to (i) payment of capital element of lease liabilities of RMB68.9 million, (ii) repayment of bank loans of RMB25.4 million and (iii) payment of interest element of lease liabilities of RMB16.6 million, partially offset by (iii) proceeds from bank loans of RMB35.4 million.

INDEBTEDNESS

The table below sets out the details of our indebtedness as of the dates indicated:

	As of December 31,			As of February 28,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current				
Lease liabilities	108,548	141,318	194,423	201,196
Short-term borrowings	9,982	–	50,000	–
	118,530	141,318	244,423	201,196
Non-current				
Lease liabilities	330,157	435,234	540,196	527,541
Total	**448,687**	**576,552**	**784,619**	**728,737**

Lease Liabilities

Our lease liabilities primarily relate to properties leased for our corporate-owned restaurants, office premises, and other operational facilities. As of December 31, 2022, 2023 and 2024 and February 28, 2025, our lease liabilities, including current and non-current portions, amounted to RMB438.7 million, RMB576.6 million, RMB734.6 million and RMB728.7 million, respectively. These lease liabilities primarily represent obligations under leases for our restaurant properties. The increase in our lease liabilities throughout the Track Record Period was primarily due to the increase in the number of our corporate-owned restaurants, which resulted in the increased number of leased properties.

The following table shows the remaining contractual maturities of our lease liabilities as of the dates indicated:

	For the year ended/As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within one year	124,151	162,441	219,473
After one year but within two years	113,769	155,967	190,136
After two years but within five years	186,601	259,496	328,853
After five years	62,186	57,927	63,265
	486,707	635,831	801,727
Less: total future interest expenses	48,002	59,279	67,108
Total	**438,705**	**576,552**	**734,619**

Short-term Borrowings

As of December 31, 2022, 2023 and 2024 and February 28, 2025, our outstanding short-term borrowings, representing our bank loans, amounted to RMB10.0 million, nil, RMB50.0 million and nil, respectively. All of our bank loans were repayable within one year or on demand and were guaranteed by our related parties, Mr. Song, Mr. Su and Ms. Luo. These guarantees were non-trade in nature. For further details, see "— Related party transactions" in this section.

Our bank loan agreements contain standard terms and conditions that are customary for commercial bank loans and there had been no material covenant on any of our outstanding bank loans. Our Directors confirm that there was no default in payments of our liabilities, significant difficulty in obtaining bank loans or other borrowings, and/or material breach of covenants during the Track Record Period and up to the Latest Practicable Date.

As of the Latest Practicable Date, we had banking facilities of RMB270.0 million, all of which remained unutilized.

No Other Outstanding Indebtedness

Save as disclosed above, we did not have any 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 February 28, 2025, being our indebtedness statement date. After due and careful consideration, our Directors confirm that, as of the date of this document, there has been no material change in our indebtedness since February 28, 2025.

CONTINGENT LIABILITIES

During the Track Record Period and up to the Latest Practicable Date, we did not have any contingent liabilities that would have a material impact on our financial position or results of operations.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. As of December 31, 2022, 2023 and 2024, bank loans of approximately RMB10.0 million, nil and RMB50.0 million were guaranteed by Mr. Song, Mr. Su and Ms. Luo. Mr. Song and Mr. Su are our Controlling Shareholders, and Ms. Luo is the spouse of Mr. Song. These guarantees were non-trade in nature. Our Directors confirm that all guarantees provided by our Controlling Shareholders and their respective close associates are being procured to be and would be fully repaid or released before the [**REDACTED**]. For details, see "Relationship with our Controlling Shareholders" and note 30 to the Accountants' Report in Appendix I. Our Directors confirm that the related party transactions were conducted in the ordinary and usual course of business and on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

COMMITMENTS

Capital commitments of our Group outstanding as of December 31, 2022, 2023 and 2024 not provided for in the financial statements were as follows:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Contracted for acquisition of property, plant and equipment	2,019	5,236	6,846
Total	**2,019**	**5,236**	**6,846**

During the Track Record Period, our Group entered into certain new leases whose term would commence in the following year. See note 29 to the Accountants' Report in Appendix I.

CAPITAL EXPENDITURES

Our capital expenditures consist of (i) payment for purchases of items of property, plant and equipment, and right-of-use assets, primarily used to open new restaurants, procure equipment for new restaurants and renovate existing restaurants, and (ii) payment for purchases of intangible assets, which mainly comprise computer software licenses to support our day-to-day operation and management. Our capital expenditures amounted to RMB32.5 million, RMB62.0 million and RMB99.9 million in 2022, 2023 and 2024, respectively. The following table sets forth a breakdown of our capital expenditures for the periods indicated:

	For the year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Payment for purchases of property, plant and equipment, and right-of-use assets	30,795	60,746	97,324
Payment for purchases of intangible assets	1,722	1,256	2,607
Total	**32,517**	**62,002**	**99,931**

During the Track Record Period, we mainly funded our capital expenditure requirements with net cash generated from operating activities and bank borrowings. We intend to fund our future capital expenditures with a combination of cash generated from operations, bank borrowings and [**REDACTED**] from the [**REDACTED**]. For further details of our planned capital expenditure, see "Future Plans and [**REDACTED**] — [**REDACTED**]." We may reallocate the funds to be utilized on capital expenditures based on our ongoing business needs.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios for the periods/as of the dates indicated:

	For the year ended/As of December 31,		
	2022	**2023**	**2024**
Revenue growth rate *(%)*	N/A	91.5	44.2
Current ratio[1]	0.4	0.5	0.5
Debt ratio[2] *(%)*	1.6	–	4.3

Notes:

(1) Calculated using current assets dividend by current liabilities as of the respective date.

(2) Calculated using total interest bearing borrowings divided by total assets and multiplied by 100%.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

We are exposed to financial risks including credit, liquidity, interest rate and currency risks in the normal course of our business. Our overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Our risk management is carried out under policies approved by our Board. The discussion below provides a summary of our market risks. See note 28 to the Accountants' Report in Appendix I for further details.

Credit Risk

Our credit risk is primarily attributable to trade and other receivables, lease payment receivables and long-term receivables. The credit risk arising from cash and cash equivalents and restricted deposits is limited because our counterparties are banks and financial institutions with high credit quality, for which we consider to have low credit risk. Our exposure to credit risk arising from refundable rental deposits is also considered to be low, taking into account of the landlord's credit rating, the remaining lease term and the period covered by the rental deposits. No expected credit losses allowance for other receivables, lease payment receivables and long-term receivables have been recognized at the years ended December 31, 2022, 2023 and 2024. Our expected credit loss rate is minimal. In addition, we do not provide any guarantee that would expose us to credit risk.

Liquidity Risk

Our objective is to maintain sufficient reserves of cash to meet our liquidity requirements in the short and longer term. We regularly monitor our liquidity requirements to manage our liquidity risk. For details of the maturity profile of our financial liabilities, see note 28(b) to the Accountants' Report in Appendix I.

Interest Rate Risk

Our exposure to the interest rate risk is not significant since we do not hold any financial instrument of which the fair value or future cash flows will fluctuate due to changes in market interest rates.

Currency Risk

We are not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than the functional currencies of our Group are not significant.

DIVIDENDS

In 2023, we declared and paid dividends attributable to equity shareholders of our Company of RMB19.5 million. No other dividend was declared or paid by our Company or other entities comprising our Group during the Track Record Period. In March 2025, we declared annual dividends attributable to equity shareholders of our Company for the year ended December 31, 2024 in the amount of RMB14.7 million which has subsequently been fully paid. For details, see notes 27(b) and 33 to the Accountants' Report in Appendix I.

We do not have any predetermined dividend payout ratio. PRC Law require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Any future declarations and payments of dividends will be at the absolute discretion of our Directors and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant at such time. We may declare and pay dividends mainly by cash or by stock that we consider appropriate. Our ability to distribute dividends in the future also depends on whether we can receive dividends from our subsidiaries. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC Law and approval by our Shareholders.

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including our cash and cash equivalents and financial assets measured at FVPL on hand, available bank loans and facilities and the estimated [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. On the basis of the independent due diligence undertaken, the Sole Sponsor concurs with the aforementioned views of our Directors. Our Directors confirm that we had no material defaults on trade and non-trade payables and borrowings, nor did we breach any covenants during the Track Record Period and up to the date of this document.

DISTRIBUTABLE RESERVES

As of December 31, 2024, retained earnings of our Company amounted to RMB38.8 million. Such retained earnings represent our distributable reserves as of the same date.

[**REDACTED**]

Based on an [**REDACTED**] per H Share, being the mid-point of the indicative [**REDACTED**] range, and assuming the [**REDACTED**] is not exercised, [**REDACTED**] to be borne by us are estimated to be approximately [**REDACTED**] or [**REDACTED**] of the [**REDACTED**] of the [**REDACTED**], which consist of (i) [**REDACTED**] of approximately [**REDACTED**], and (ii) [**REDACTED**] related expenses of approximately [**REDACTED**] including (a) fees and expenses of legal advisors and the Reporting Accountants of approximately [**REDACTED**] and (b) other fees and expenses of approximately [**REDACTED**]. During the Track Record Period, we incurred [**REDACTED**] of [**REDACTED**] recognized in the consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2024. Subsequent to the Track Record Period, we expect to further incur [**REDACTED**] of [**REDACTED**] prior to and upon completion of the [**REDACTED**], of which (i) [**REDACTED**] is expected to be recognized as expenses in our consolidated statements of profit or loss and other comprehensive income, and (ii) [**REDACTED**] is expected to be accounted for as a deduction from equity upon [**REDACTED**].

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered 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.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

For details, see the section headed "Unaudited [**REDACTED**] Financial Information" in Appendix II.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this document there has been no material adverse change in our financial or trading position or prospects since December 31, 2024, being the end of the Track Record Period as reported in the Accountants' Report in Appendix I, and there has been no event since December 31, 2024 which would materially affect the information shown in the Accountants' Report in Appendix I.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business — Development Strategies" for a detailed description of our future plans.

[REDACTED]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately [**REDACTED**], after deducting [**REDACTED**] fees and commissions and other estimated expenses paid and payable by us in relation to the [**REDACTED**], assuming an [**REDACTED**] of [**REDACTED**] per H Share, being the mid-point of the [**REDACTED**] range from [**REDACTED**] to [**REDACTED**] per H Share, and that the [**REDACTED**] is not exercised.

In line with our strategies, we intend to use the [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

(i) approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], for expanding our restaurant network, broadening our geographical coverage and deepening our market penetration.

According to Frost & Sullivan, the total GMV of the Chinese noodle restaurant market in China had expanded from RMB183.3 billion in 2020 to RMB296.2 billion in 2024, at a CAGR of 12.7%. Looking forward, the growth of the Chinese noodle restaurant market is expected to accelerate further to reach the total GMV of RMB510.0 billion by 2029, at a CAGR of 10.9% from 2025 to 2029, based on further urbanization, increase in disposable income and increase in the proportion of consumers dining out in China. These favorable trends present substantial opportunities for us to capitalize on market expansion and strengthen our competitive position.

To seize these opportunities, we plan to leverage our highly standardized operations and advanced digital capabilities to further expand our network of corporate-owned and franchised restaurants.

We plan to open approximately 120 to 150, 150 to 180 and 170 to 200 corporate-owned and franchised new restaurants in the Chinese mainland, Hong Kong SAR and overseas in 2025, 2026 and 2027, respectively. For details, see "— Development Strategies — Strategically expand our corporate-owned and franchised restaurant network to deliver sustainable growth." Based on historical investment records, we estimate that the investment cost for opening a new self-operated restaurant to be between RMB0.7 million and RMB0.9 million. We expect the forecast revenue, initial breakeven period, and cash investment payback period for new restaurants will generally align with the historical performances of our existing restaurants during the Track Record Period. See "Business — Our Restaurant Performance — Initial Breakeven Period and Investment Payback Period."

This strategic restaurant network expansion is expected to strengthen our brand presence, improve market penetration, and increase customer accessibility. By strategically selecting high-potential locations and maintaining operational efficiency, we aim to drive sustainable growth and profitability while enhancing the overall customer experience.

(ii) approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], for advancing our information technology capabilities through upgrading the technology and digital systems across our restaurant network, among which:

- approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], is expected to be used to further adopt AI technologies, IoT systems and big data analytics in the iteration of our existing technology infrastructure to support our growing operation scale. We plan to refine our AI-empowered system for more precise estimation of sales of our restaurants, which is expected to increase the accuracy of our restaurants' procurement of ingredients, equipment setup and staffing arrangement. We also plan to upgrade the visual recognition technologies of our current AI-empowered visual recognition system to expand its coverage over all menu items and operational activities in our restaurants;

- approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], is expected to be used to upgrade our technology infrastructure to further digitalize and automate our operations and reduce our costs of labour. We will continuously iterate and fine-tune our self-developed digital systems for the business and financial analyses of our restaurants, procurement, inventory and supply chain management, as well as human resource, employee training and evaluation; and

- approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], is expected to be used to optimize and consolidate our existing technology infrastructure into a one-stop system, which is expected to further increase our operation efficiency. We plan to interlink digitally each stage of our operational value chain, so as to integrate the front-end restaurant operations and customer feedback, the middle-end data processing and centralization, and the back-end supporting functions such as marketing, menu development, supply chain management, financial management, and human resources management, with the ultimate goal of constructing a comprehensive and closed-loop digitalized industry chain system.

(iii) approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], for brand building and further strengthening customer loyalty, among which:

- approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], is expected to be used to enhance our brand through comprehensive upgrade of our restaurant image. This initiative includes optimizing interior design, standardizing signage, and enhancing the dining environment to create a distinctive and highly recognizable brand identity for the purpose of attracting more customers and driving foot traffic to our restaurants.

- approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], is expected to be used to collaborate with local lifestyle platforms and food influencers. We plan to make use of such external sources of traffic and launch online and offline promotional campaigns to attract new customers and enhance brand reputation.

- approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], is expected to be used to form cross-industry partnerships with well-known brands in various sectors. These collaborations will integrate Sichuan-Chongqing culture into diverse scenarios, expanding our brand's influence across different consumer segments and deepening consumers' understanding of the Sichuan and Chongqing culinary culture that our brand represents.

- approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], is expected to be used to further enriching our brand through crafting compelling brand stories and developing merchandise. These initiatives will enrich our brand's cultural depth and strengthen emotional connections with consumers.

- approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], is expected to be used to further expanding our membership base. We plan to engage third-party customer data platforms (CDPs) to obtain data-driven insights about consumer trends and preferences. We also plan to attract traffic to our membership system through precision marketing, private domain traffic attraction, promotional discounts, captivating more customers in existing and new geographical markets.

(iv) approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], for strategic investment in and acquisitions of potential companies in the upstream food processing industry. To fuel our future strategic development, we plan to invest in or acquire suppliers of our major ingredients such as meat, noodles and condiments with an annual revenue of approximately RMB30.0 million to RMB50.0 million to enhance our economies of scale, ensure stability and quality in the supply of food ingredients, and integrate our resources. As of the Latest

Practicable Date, we had not identified or pursued any acquisition target. According to Frost & Sullivan, in 2024, there were over 5,000 target companies in the Chinese mainland that fulfill our selection criteria above; and

(v) approximately [**REDACTED**] of the [**REDACTED**], or approximately [**REDACTED**], for general corporate purposes and working capital.

The above allocation of the [**REDACTED**] as set out above will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed below or above the midpoint of the indicative [**REDACTED**] range.

If the [**REDACTED**] is fixed at [**REDACTED**] per H Share (being the high end of the [**REDACTED**] range stated in this document), we will receive additional [**REDACTED**] of approximately [**REDACTED**], assuming the [**REDACTED**] is not exercised.

If the [**REDACTED**] is fixed at [**REDACTED**] per H Share (being the low end of the [**REDACTED**] range stated in this document), the [**REDACTED**] we receive will be reduced by approximately [**REDACTED**], assuming the [**REDACTED**] is not exercised.

In the event that the [**REDACTED**] is exercised in full, the additional [**REDACTED**] that we would receive would be [**REDACTED**] assuming an [**REDACTED**] of [**REDACTED**] per H Share, being the mid-point of the [**REDACTED**] range stated in this document, after deduction of [**REDACTED**] fees and commissions and other estimated expenses paid and payable by us in relation to the [**REDACTED**]. Additional [**REDACTED**] received due to the exercise of any [**REDACTED**] will be used for the above purposes accordingly on a pro-rata basis if the [**REDACTED**] is exercised.

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 [**REDACTED**] from the [**REDACTED**]. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules and make an appropriate announcement if there is any change to the above proposed [**REDACTED**].

To the extent that the [**REDACTED**] of the [**REDACTED**] are not immediately used for the above purposes, we will only deposit those [**REDACTED**] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions).

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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 document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GUANGZHOU XIAO NOODLES CATERING MANAGEMENT CO., LTD. AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Guangzhou Xiao Noodles Catering Management Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-63, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2022, 2023 and 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2022, 2023 and 2024 (the "Track Record Period"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-63 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [**REDACTED**] (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the 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 (the "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 the 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 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 Company's and the Group's financial position as at 31 December 2022, 2023 and 2024 and of the Group's financial performance and cash flows for the Track Record Period 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-3 have been made.

Dividends

We refer to note 27(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
[*Date*]

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 Track Record Period, on which the Historical Financial Information is based, were audited by 畢馬威華振會計師事務所(特殊普通合夥)廣州分所 KPMG Huazhen LLP Guangzhou Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

	Note	Years ended 31 December		
		2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Revenue	4	418,096	800,514	1,154,434
Raw materials and consumables used		(160,138)	(290,270)	(395,701)
Staff costs	6(b)	(109,264)	(175,194)	(265,062)
Depreciation of right-of-use assets	6(e)	(94,620)	(125,429)	(188,845)
Depreciation and amortisation of property, plant and equipment and intangible assets	6(e)	(21,828)	(24,213)	(37,649)
Utility expenses		(14,119)	(27,487)	(44,543)
Other rentals and related expenses		(4,523)	(18,365)	(21,632)
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Advertising and promotion expenses		(6,150)	(5,044)	(13,339)
Travelling and related expenses		(1,929)	(3,742)	(5,672)
Other expenses	6(d)	(34,595)	(59,790)	(88,721)
Other income	5	7,504	14,143	8,967
Other net (losses)/gains	6(c)	(177)	286	3,116
Finance costs	6(a)	(16,962)	(19,333)	(27,771)
Impairment losses of property, plant and equipment	11(a)	(9,440)	(8,938)	(1,589)
(Loss)/profit before taxation	6	(48,145)	57,138	74,881
Income tax	7	12,172	(11,224)	(14,181)
(Loss)/profit for the year		(35,973)	45,914	60,700
(Loss)/earnings per share	10			
Basic (expressed in RMB cents per share)		(6.02)	7.67	10.11
Diluted (expressed in RMB cents per share)		(6.22)	7.60	9.96
Other comprehensive income for the year				
Exchange differences on translation of financial statements of subsidiaries		–	–	113
Total comprehensive income for the year attributable to equity shareholders of the Company		(35,973)	45,914	60,813

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	As at 31 December		
		2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*11*	60,619	85,020	148,045
Right-of-use assets	*11*	380,155	527,124	683,200
Intangible assets	*12*	3,328	3,417	4,152
Financial assets measured at fair value through other comprehensive income ("FVOCI")	*28(e)*	–	50	50
Deferred tax assets	*25(b)*	24,648	23,250	27,168
Rental deposits		28,471	39,824	47,728
Lease payment receivables	*14*	7,786	3,781	1,206
Other non-current assets	*16*	5,872	3,512	1,948
		510,879	685,978	913,497
Current assets				
Inventories	*17*	16,639	27,098	22,666
Trade and other receivables	*18*	30,137	54,879	80,468
Income tax recoverable	*25(a)*	114	1,576	727
Financial assets measured at fair value through profit or loss ("FVPL")	*15*	7,009	25,063	70,261
Restricted bank deposits	*19(a)*	12,107	21,139	31,324
Cash and cash equivalents	*19(a)*	36,519	26,764	42,190
		102,525	156,519	247,636
Current liabilities				
Trade and other payables	*20(a)*	50,904	93,205	110,351
Redemption liabilities	*20(b)*	45,000	45,000	45,000
Contract liabilities	*21*	36,650	60,142	82,628
Lease liabilities	*22*	108,548	141,318	194,423
Short-term borrowings	*24*	9,982	–	50,000
Current taxation	*25(a)*	6	3,610	7,459
		251,090	343,275	489,861
Net current liabilities		(148,565)	(186,756)	(242,225)
Non-current liabilities				
Contract liabilities	*21*	1,875	3,564	4,564
Lease liabilities	*22*	330,157	435,234	540,196
Provisions	*23*	4,310	6,631	8,735
		336,342	445,429	553,495
NET ASSETS		25,972	53,793	117,777
CAPITAL AND RESERVES				
Paid-in capital/share capital	*27(c)*	12,266	12,266	12,266
Reserves	*27(d)*	13,706	41,527	105,511
TOTAL EQUITY		25,972	53,793	117,777

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

	Note	As at 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	11	18,951	16,519	15,208
Right-of-use assets	11	119,922	133,252	98,365
Intangible assets	12	112	61	12
Investments in subsidiaries	13	3,000	13,000	17,590
Deferred tax assets	25(b)	8,188	8,127	8,231
Rental deposits		10,430	12,841	12,326
		160,603	183,800	151,732
Current assets				
Inventories	17	782	1,158	1,177
Trade and other receivables	18	157,045	122,021	187,636
Income tax recoverable	25(a)	21	628	–
Financial assets measured at FVPL	15	7,009	25,063	15,009
Restricted bank deposits	19(a)	12,107	20,012	30,197
Cash and cash equivalents	19(a)	16,302	12,616	28,880
		193,266	181,498	262,899
Current liabilities				
Trade and other payables	20(a)	50,275	37,198	58,656
Redemption liabilities	20(b)	45,000	45,000	45,000
Contract liabilities	21	34,445	55,947	78,823
Lease liabilities	22	38,699	40,280	39,956
Short-term borrowings	24	9,859	–	–
Current taxation	25(a)	–	–	825
		178,278	178,425	223,260
Net current assets		14,988	3,073	39,639
Non-current liabilities				
Lease liabilities	22	100,741	107,093	67,373
Provisions	23	1,363	1,549	1,680
		102,104	108,642	69,053
NET ASSETS		73,487	78,231	122,318
CAPITAL AND RESERVES				
Paid-in capital/share capital	27(c)	12,266	12,266	12,266
Reserves	27(d)	61,221	65,965	110,052
TOTAL EQUITY		73,487	78,231	122,318

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company							
	Note	**Paid-in Capital**	**Capital reserve**	**Other reserve**	**Share-based payments reserve**	**Statutory reserve**	**Shares held for the share-based incentive scheme**	**Accumulated losses**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		note 27(c)	*note 27(d)(i)*	*note 27(d)(iv)*	*note 27(d)(ii)*	*note 27(d)(iii)*	*note 26*		
Balance at 1 January 2022		12,266	129,898	(45,000)	1,924	983	(327)	(39,170)	60,574
Changes in equity for 2022:									
Loss and other comprehensive income for the year		–	–	–	–	–	–	(35,973)	(35,973)
Equity-settled share-based transactions	*26*	–	–	–	1,337	–	–	–	1,337
Share vested under the share-based incentive scheme	*26&27(d)*	–	1,171	–	(1,171)	–	34	–	34
Appropriation to statutory reserve .	*27(d)(iii)*	–	–	–	–	50	–	(50)	–
Balance at 31 December 2022 . . .		12,266	131,069	(45,000)	2,090	1,033	(293)	(75,193)	25,972

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company									
	Note	Paid-in Capital	Share capital	Share premium	Capital reserve	Other reserve	Share-based payments reserve	Statutory reserve	Shares held for the share-based incentive scheme	Accumulated losses	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		note 27(c)	*note 27(c)*	*note 27(d)(i)*	*note 27(d)(i)*	*note 27(d)(iv)*	*note 27(d)(ii)*	*note 27(d)(iii)*	*note 26*		
Balance at 31 December 2022 and 1 January 2023		12,266	–	–	131,069	(45,000)	2,090	1,033	(293)	(75,193)	25,972
Changes in equity for 2023:											
Profit and other comprehensive income for the year		–	–	–	–	–	–	–	–	45,914	45,914
Conversion into a joint stock limited liability company	*27(c)*	(12,266)	12,266	108,706	(131,069)	–	(2,369)	(145)	–	24,877	–
Equity-settled share-based transactions	*26*	–	–	–	–	–	1,419	–	–	–	1,419
Share vested under the share-based incentive scheme	*26&27(d)*	–	–	726	–	–	(726)	–	34	–	34
Dividend declared	*27(b)*	–	–	–	–	–	–	–	–	(19,546)	(19,546)
Appropriation to statutory reserve	*27(d)(iii)*	–	–	–	–	–	–	2,189	–	(2,189)	–
Balance at 31 December 2023		–	12,266	109,432	–	(45,000)	414	3,077	(259)	(26,137)	53,793

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company								
	Note	Share capital	Share premium	Other reserve	Share-based payments reserve	Statutory reserve	Exchange reserve	Shares held for the share-based incentive scheme	(Accumulated losses)/ retained profits	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		note 27(c)	*note 27(d)(i)*	*note 27(d)(iv)*	*note 27(d)(ii)*	*note 27(d)(iii)*	*note 27(d)(v)*	*note 26*		
Balance at 31 December 2023 and 1 January 2024		12,266	109,432	(45,000)	414	3,077	–	(259)	(26,137)	53,793
Changes in equity for 2024:										
Profit for the year		–	–	–	–	–	–	–	60,700	60,700
Other comprehensive income		–	–	–	–	–	113	–	–	113
Total comprehensive income		–	–	–	–	–	113	–	60,700	60,813
Equity-settled share-based transactions	*26*	–	–	–	3,139	–	–	–	–	3,139
Shares vested under the share-based incentive scheme	*26&27(d)*	–	1,418	–	(1,418)	–	–	32	–	32
Appropriation to statutory reserve	*27(d)(iii)*	–	–	–	–	7,620	–	–	(7,620)	–
Balance at 31 December 2024		12,266	110,850	(45,000)	2,135	10,697	113	(227)	26,943	117,777

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Renminbi)

	Note	Years ended 31 December 2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Operating activities				
Cash generated from operations	*19(b)*	104,940	252,810	326,947
Income tax paid	*25(a)*	(167)	(7,684)	(13,401)
Net cash generated from operating activities		104,773	245,126	313,546
Investing activities				
Payment for purchases of property, plant and equipment, and right-of-use assets		(30,795)	(60,746)	(97,324)
Payment for purchases of intangible assets		(1,722)	(1,256)	(2,607)
Payment for purchases of financial assets measured at FVPL		(142,000)	(345,000)	(436,000)
Proceeds from maturity of financial assets measured at FVPL		135,000	327,009	391,063
Proceeds from disposal of property, plant and equipment, and right-of-use assets		2,292	18	811
Investment income and interest received		1,353	2,018	1,318
Payment for purchases of financial assets measured at FVOCI		–	(50)	–
Provisions for restoration costs utilised	*23*	(129)	–	(354)
Net cash used in investing activities		(36,001)	(78,007)	(143,093)
Financing activities				
Proceeds from bank loans	*19(c)*	35,394	25,115	50,000
Repayment of bank loans	*19(c)*	(25,412)	(35,097)	–
Payment of capital element of lease liabilities	*19(c)*	(68,945)	(128,611)	(177,078)
Payment of interest element of lease liabilities	*19(c)*	(16,600)	(19,074)	(27,083)
Interest of bank loans paid	*19(c)*	(198)	(55)	(381)
Payment for [**REDACTED**]		[REDACTED]	[REDACTED]	[REDACTED]
Dividends paid to equity shareholders of the Company	*19(c)*	–	(19,152)	(394)
Net cash used in financing activities		(75,761)	(176,874)	(155,059)
Net (decrease)/increase in cash and cash equivalents		(6,989)	(9,755)	15,394
Cash and cash equivalents at 1 January	*19(a)*	43,508	36,519	26,764
Effect of foreign exchange rate changes		–	–	32
Cash and cash equivalents at 31 December	*19(a)*	36,519	26,764	42,190

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

Guangzhou Xiao Noodles Catering Management Co., Ltd. (formerly known as Guangzhou Meet Xiaomian Catering Management Co., Ltd.) (the "Company") was incorporated in the People's Republic of China (the "PRC") on 14 February 2014 as a limited liability company under the Companies laws of the PRC. The Company was converted into a joint stock limited liability company on 7 September 2023.

The Company and its subsidiaries (together, the "Group") are principally engaged in corporate-owned restaurant operations and franchise management in the PRC. Details of the Group's principal subsidiaries are set out in note 13.

As at 31 December 2024, the Group had net current liabilities amounting to RMB242,225,000. Based on the projection of the Group's profit and cash inflows from operations and the unused banking loan facilities of RMB140,000,000 as at 31 December 2024, 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 the date of this report 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 IFRS Accounting Standards as issued by the International Accounting Standard Board ("IASB"). Further details of the material accounting policy information are set out in note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2024. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on 1 January 2024 are set out in note 32.

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 accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the financial assets measure at FVOCI and financial assets measure at FVPL are stated at their fair value as explained note 2(e).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards 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 IFRS Accounting Standards 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 to, 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. The financial statements of subsidiaries are included in the Historical Financial Information from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated. 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.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(ii), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(d) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over the financial and operating policies.

An investment in an associate is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence ceases.

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, after applying the ECL model to such other long-term interests where applicable (see note 2(i)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

(e) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, are set out below.

Investments in 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 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 28(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 2(t)(iii)), foreign exchange gains and losses are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. 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. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and 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 (see note 2(t)(ii)).

(f) Property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at cost, less accumulated depreciation and any accumulated impairment losses (see note 2(i)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

The estimated useful lives are as follows:

Right-of-use assets	Over the lease term
Leasehold improvement	Over the lease term
Kitchen equipment	2-5 years
Electronic equipment	2-5 years
Other equipments	4-5 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(g) Intangible assets

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(i)(ii)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives are as follows:

Software	5 years

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case 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.

(i) 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 leases that have a short lease term of 12 months or less and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss 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 recognised 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 are charged to profit or loss as 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 adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, 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)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see notes 2(e)(i), 2(t)(iv) and 2(i)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will 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 lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(t).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(h)(i), then the Group classifies the sub-lease as an operating lease.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for expected credit losses ("ECL"s) on:

– financial assets measured at amortised cost (including cash and cash equivalents, restricted bank deposits, trade and other receivables, rental deposits); and

– lease receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at each reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

– the debtor 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

– the financial asset is 90 days past due.

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.

Credit-impaired financial assets

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;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation; 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 or lease receivable is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise 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

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are reduced the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Inventories

Inventories are measured 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.

(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(t)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable would also be recognised (see note 2(l)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(t)).

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 2(i)(i)).

(m) Software-as-a-service (SaaS) arrangement costs

A SaaS arrangement is a service arrangement where the Group has a right to access to the supplier's application software running on the supplier's cloud infrastructure during the term of the arrangement, but not control over the underlying software asset.

Costs to implement a SaaS arrangement, including those incurred in configuring or customising the access to the supplier's application software, are evaluated to determine if they give rise to a separate asset that the Group controls. Any resulting asset is recognised and accounted for in accordance with the policy for intangible assets as set out in note 2(g). Implementation costs that do not give rise to an asset are recognised in profit or loss as incurred, which may be over the period the configuration or customisation services are received to the extent that such services are distinct from the SaaS, or over the term of the SaaS arrangement to the extent the configuration or customisation services are not distinct from the SaaS.

Payment made in advance of receiving the related services is recognised as prepayment.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and other 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 ECL (see note 2(i)(i)).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(u).

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Pursuant to the relevant laws and regulations of the PRC, the Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the defined contribution basic pension insurance. There are no forfeited contributions for the defined contribution basic pension insurance in the PRC social insurance system as the contributions are fully vested to the employees upon payment to the scheme.

Obligations for contributions to defined contribution retirement plans are recognised as part of the cost of assets or expensed as the related service is provided.

(ii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial lattice model, taking into account any transfer restriction imposed on the vested equity instruments, and based on the most likely outcome of the performance condition where there are mutually exclusive vesting alternatives.

The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards determined based on the most likely vesting alternative where there are mutually exclusive vesting alternatives. The amount recognised as an expense is adjusted to reflect the number of awards for which the related vesting conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related vesting conditions at the vesting date. The equity amount is recognised in the share-based payments reserve until the awards are vested (when it is transferred to capital reserve/share premium).

For a share-based payment transaction in which the terms of the arrangement provide the Group with the choice of whether to settle in cash or in equity instruments, the Group determines whether it has a present obligation to settle in cash and account for the share-based payment transaction accordingly. The Group has a present obligation to settle in cash if the choice of settlement in equity instruments has no commercial substance, or the entity has a past practice or a stated policy of settling in cash, or generally settles in cash whenever the counterparty asks for cash settlement. The exercise price received from the grantees, which is refundable when the awards are forfeited, is recognised as a deposit liability until the share-based payments vests.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(r) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities, provisions and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(s) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(t) 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.

Further details of the Group's revenue and other income recognition are as follows:

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products or 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 such as value added tax or other sales taxes.

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.

(a) Revenue from corporate-owned restaurant operations

The corporate-owned restaurant operations included dine-in service and delivery business. Revenue is recognised at a point in time when the related services have been rendered to customers.

The Group operates customer loyalty scheme for customers which enable customers to earn loyalty points on their consumptions in the restaurants. Points are redeemable against any future consumptions in the restaurants. The Group allocates a portion of the consideration to loyalty points based on the relative stand-alone selling prices. The amount allocated to the loyalty points is deferred and recognised as revenue when loyalty points are redeemed or expire.

(b) Revenue from franchise management

The revenue of franchise management mainly generated from royalty and franchising income and provision of services as well as sales of goods and equipment.

The Group enters into a series of agreements with each franchisee, which mainly include a license agreement and a sales agreement (collectively "Franchise Agreements"), whereby the franchisees are licensed to operate the franchised restaurants.

The franchisees employ and manage their own staffs to operate the restaurants and serve their customers (i.e. end consumers), and undertake the costs associated with the operations. The franchisees sell the dishes based on the menu and recipe provided by the Group.

The franchisees are responsible for the placement, physical custody and condition of the equipment and goods after the deliveries are accepted in restaurants. In general, the Group does not have any obligation or historical practices to accept any return of unsold products, except for rare cases such as a latent defect subject to product recall.

At inception of the Franchise Agreements, franchisees are required to place a deposit to the Group throughout the franchise period. The deposits are refundable upon the termination of the Franchise Agreements, provided that the franchisees settled all outstanding balances with the Group.

Royalty and franchising income

Under the Franchise Agreements, franchisees pay a non-refundable upfront initial fee including the pre-opening training services fee upon entering into Franchise Agreements and monthly royalty fee. The non-refundable upfront initial fee is charged for pre-opening support services provided to the franchisees, including market and location analysis, certain advisory services like license application and pre-opening marketing, etc. As these services are highly interrelated with the franchise right, they are not individually distinct from the ongoing franchising arrangement with the franchisees. As a result, initial franchise fees, which are considered as consideration for the Group to provide right to access the Group's intellectual property, are recognised on a straight-line basis over the expected franchise period, typically of 5 years. Unrecognised non-refundable upfront initial fee is recognised as contract liabilities in the consolidated statements of financial position.

Franchisees are also required to pay a monthly royalty fee, which is determined based on a fixed percentage of the gross merchandise value generated by the franchised restaurant. Fixed amount royalty fees are recognised monthly. For fixed percentage royalty fees, the Group applies "sales-based royalty" under IFRS 15 "Revenue from Contracts with Customers" to recognise the royalty fees when the sales to end customers occurred or the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied), whichever is the later.

Provision of services

The Group provides other services including system maintenance and support services to franchisees. Revenue are recognised when these services are performed in the accounting period in which the services are rendered.

Sales of goods and equipment

Revenue from sales of goods and equipment to franchisees is recognised at the point in time when the franchisees accept the products and the control over those products is transferred to the franchisees.

(ii) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(iii) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(iv) Government grants

Government grants are recognised in the statements 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.

(u) 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.

(v) 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.

(w) Redemption liabilities

A contract that contains an obligation for the Company to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability even if the Company's obligation to purchase is conditional on the counterparty exercising its right to redeem. The redemption liability is measured at the present value of the redemption amount and the changes in the carrying amount arising from the remeasurement of the present value of the redemption amount, is recognised in profit or loss.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, 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

Notes 2(q)(ii), 26 and 28 contain information about the assumptions and their risk factors relating to fair value of share option granted and financial instruments. Other significant sources of estimation uncertainty are as follows:

(a) 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.

(b) Depreciation of property, plant and equipment and right-of-use assets

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.

(c) Provision for restoration costs

As explained in note 23, 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.

(d) Determining the lease term

As explained in policy note 2(h), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are corporate-owned restaurant operations and franchise management.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	Years ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15:			
Corporate-owned restaurant operations			
– Dine-in service	270,998	547,353	820,301
– Delivery business	65,738	124,587	180,709

	Years ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Franchise management			
– Royalty and franchising income and provision of service	12,547	22,729	27,042
– Sales of goods and equipment	67,964	104,965	125,488
Others	849	880	894
	418,096	800,514	1,154,434
Disaggregated by timing of revenue recognition			
– Point in time	405,549	777,785	1,127,392
– Over time	12,547	22,729	27,042
	418,096	800,514	1,154,434

Others includes sales of retail products on e-commerce platforms.

No revenue from individual customer contributing over 10% of total revenue of the Group for the years ended 31 December 2022, 2023 and 2024.

(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 2022, 2023 and 2024, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB1,875,000, RMB3,564,000 and RMB4,564,000. This amount represents revenue expected to be recognised in the future from Franchise Agreements. The Group will recognise the expected revenue in future over the remaining contract period, which is expected to occur over the next 12-60 months.

(b) Segment reporting

The directors of the Company have been identified as the Group's most senior executive management. The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. Therefore, the Group has one operating segment. The Group's most senior executive management reviews the Group's consolidated results of operations in assessing performance of and making decisions about allocations to this segment. Accordingly, no reportable segment information is presented.

Analysis of the Group's revenue from external customers as well as analysis of the Group's carrying amount of non-current assets by geographical market has not been presented as over 95% of the Group's revenue and non-current assets are generated and located in the Chinese Mainland.

5 OTHER INCOME

	Years ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Interest income on:			
– bank deposits	470	1,070	573
– rental deposits	986	1,308	1,889
– lease payment receivables	572	411	239
	2,028	2,789	2,701
Income from value-added tax super deduction and exemption *(note (i))*	2,990	8,954	–
Government grants *(note (ii))*	2,175	1,863	5,760
Investment income from financial assets measured at FVPL	311	537	506
	7,504	14,143	8,967

Note:

(i) Income from value-added tax super deduction and exemption represented the super deduction and exemption on value-added tax granted by the government authorities in the PRC. Such policy was expired on 31 December 2023.

(ii) Government grants mainly represented unconditional cash awards granted by the government authorities in the PRC.

6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans *(note 19(c))*	208	45	381
Interest on lease liabilities *(note 19(c))*	16,600	19,074	27,083
Unwind of discount on provisions *(note 23)*	154	214	307
	16,962	19,333	27,771

(b) Staff costs (including directors' emoluments)

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	103,667	158,135	145,456
Contributions to defined contribution retirement plans	4,260	6,829	10,238
Equity-settled share-based payment expenses *(note 26)*	1,337	1,419	3,139
	109,264	166,383	158,833
Outsourced staff costs	–	8,811	106,229
	109,264	175,194	265,062

(c) Other net (losses)/gains

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Losses on restaurants closures	(855)	(1,461)	(515)
Gains on early termination of leases	130	1,482	4,142
Donation	–	(88)	(600)
Net fair value changes of financial assets measured at FVPL	9	63	261
Others	539	290	(172)
	(177)	286	3,116

(d) Other expenses

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Service fee paid to third-party online food delivery platforms	14,930	28,800	42,275
Materials for restaurant operation	5,895	10,621	14,926
Transportation expenses	3,087	5,120	7,733
Maintenance expenses	1,895	2,917	4,750
Software service fee	1,974	2,452	4,086
Bank and other charges	917	1,667	3,607
Professional service fees	2,006	2,949	2,481
Business tax and surcharges	519	1,328	2,146
Office expenses	1,429	1,477	2,113
Others	1,943	2,459	4,604
	34,595	59,790	88,721

(e) Depreciation and amortisation

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Amortisation of intangible assets *(note 12)*	853	1,167	1,872
Depreciation *(note 11)*			
– property, plant and equipment	20,975	23,046	35,777
– right-of-use assets	94,620	125,429	188,845
	115,595	148,475	224,622

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		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
Provision for the year			
– PRC income tax	9	9,826	17,936
– Other jurisdictions	–	–	163
	9	9,826	18,099
Deferred tax			
Origination and reversal of temporary differences *(note 25(b))*	(12,181)	1,398	(3,918)
	(12,172)	11,224	14,181

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before taxation	(48,145)	57,138	74,881
Notional tax on profit before taxation	(12,037)	14,285	18,720
Effect of preferential income tax rates of certain subsidiaries *(i)*	675	(1,258)	(2,893)
Effect of non-deductible expenses	44	46	253
Tax concessions	(854)	(1,849)	(1,899)
Actual tax (credit)/expense	(12,172)	11,224	14,181

Notes:

(i) Taxable income for the Group's subsidiaries in the PRC are subject to PRC income tax rate of 25% for the years ended 31 December 2022, 2023 and 2024, unless otherwise specified below.

Certain subsidiaries met the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the PRC, and were entitled to a preferential income tax rate of 5% on taxable income for the years ended 31 December 2022, 2023 and 2024.

Certain subsidiaries fell within the state encouraged industries in the specified western regions and were entitled to a preferential income tax rate of 15% for the years ended 31 December 2022, 2023 and 2024.

(ii) The Group's Hong Kong subsidiaries were established since 2023 and did not have any other assessable profits for the years ended 31 December 2023 and 2024, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime for the year ended 31 December 2024.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The provision for Hong Kong Profits Tax for 2024 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2023/24 subject to a maximum reduction of HK$3,000 for each business.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments as recorded in the Historical Financial Information are set out below:

	Year ended 31 December 2022					
	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments *(note (a))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Song Qi ("Mr. Song")	774	–	8	782	–	782
Mr. Su Xuxiang ("Mr. Su")	602	–	8	610	–	610
Non-executive director						
Mr. Wang Xiaolong	–	–	–	–	–	–
Supervisor						
Ms. Zhang Qi	137	–	8	145	–	145
Total	1,513	–	24	1,537	–	1,537

	Year ended 31 December 2023					
	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments *(note (a))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Song	960	80	8	1,048	–	1,048
Mr. Su	730	60	8	798	–	798
Mr. Xu Zhi (appointed on 7 September 2023)	238	20	3	261	101	362
Mr. Pan Rujun (appointed on 7 September 2023)	82	20	3	105	–	105
Non-executive director						
Mr. Wang Xiaolong	–	–	–	–	–	–
Supervisors						
Ms. Zhang Qi	166	13	8	187	21	208
Ms. Qin Yan (appointed on 7 September 2023)	92	23	3	118	–	118
Mr. Peng Yue (appointed on 7 September 2023)	190	47	3	240	–	240
Total	2,458	263	36	2,757	122	2,879

	Year ended 31 December 2024					
	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments *(note (a))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Song	1,018	84	10	1,112	–	1,112
Mr. Su	804	67	10	881	–	881
Mr. Xu Zhi (resigned on 1 April 2025)	804	67	10	881	218	1,099
Mr. Pan Rujun (resigned on 1 April 2025)	254	21	10	285	–	285
Non-executive director						
Mr. Wang Xiaolong	–	–	–	–	–	–
Supervisors						
Ms. Zhang Qi	185	15	10	210	24	234
Ms. Qin Yan	289	24	10	323	24	347
Mr. Peng Yue	643	53	10	706	–	706
Total	3,997	331	70	4,398	266	4,664

Notes:

(a) These represent the estimated value of share options granted to the directors and supervisors under the Company's share-based incentive scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(q)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of option granted, are disclosed in note 26.

(b) For the years ended 31 December 2022, 2023 and 2024, there were no amounts paid or payable by the Group to the directors, supervisors 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 or a supervisor waived or agreed to waive any remuneration for the years ended 31 December 2022, 2023 and 2024.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the years ended 31 December 2022, 2023 and 2024, of the six individuals (joint-fifth highest) with the highest emoluments, 2, 3 and 3 are directors whose emoluments are disclosed in note 8.

The aggregate of the emoluments in respect of the other 4, 3 and 3 individuals are as follows:

	Years ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	1,961	1,807	2,048
Discretionary bonuses	–	145	170
Share-based payments	926	474	659
Retirement scheme contributions	29	25	29
	2,916	2,451	2,906

The emoluments of the 4, 3 and 3 individuals with the highest emoluments are within the following bands:

	Years ended 31 December		
	2022	**2023**	**2024**
	Number of individuals	*Number of individuals*	*Number of individuals*
Nil – HKD1,000,000	3	3	1
HKD1,000,001 – HKD1,500,000	1	–	2

10 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss/earnings per share during the Track Record Period is based on the loss/profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue for the respective year.

As set out in note 27(c), the Company was converted from a limited liability company into a joint stock limited liability company on 7 September 2023. The Company's paid-in capital of RMB12,266,000 was converted into 613,324,800 shares with the par value of RMB0.02 each accordingly. For the purpose of determining basic loss/earnings per share, the weighted average number of ordinary shares were deemed to be in issue before the Company's conversion into a joint stock limited liability company as if the above conversion had occurred on 1 January 2022 at the exchange ratio established on 7 September 2023.

(i) (Loss)/profit attributable to ordinary equity shareholders of the Company

	Years ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit for the year attributable to all equity shareholders of the Company	(35,973)	45,914	60,700
Allocation of loss/(profit) for the year attributable to Restricted Shares held for share-based incentive scheme *(note 26)*	–	–	(1)
Allocation of loss/(profit) for the year attributable to redemption liabilities *(note 20(b)/27(d)(iv))*	1,429	(1,824)	(2,411)
(Loss)/profit for the year attributable to ordinary equity shareholders of the Company	(34,544)	44,090	58,288

(ii) Weighted average number of ordinary shares

	Years ended 31 December		
	2022	2023	2024
	'000	*'000*	*'000*
Ordinary shares in issue at 1 January	613,325	613,325	613,325
Effect of unvested shares held for share-based incentive scheme *(note 26)*	(15,582)	(13,873)	(12,333)
Effect of redemption liabilities *(note 20(b))*	(24,363)	(24,363)	(24,363)
Weighted average number of ordinary shares at 31 December	573,380	575,089	576,629

(b) Diluted (loss)/earnings per share

Diluted loss/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended 31 December 2022, 2023 and 2024, the Group's potential ordinary shares are from redemption liabilities (note 20(b)) and share-based incentive scheme (note 26).

(i) (Loss)/profit attributable to ordinary equity shareholders of the Company (diluted):

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit for the year attributable to ordinary equity shareholders of the Company	(34,544)	44,090	58,288
Effect of allocation of loss/(profit) for the year attributable to redemption liabilities *(note 20(b))*	1,429	–	–
(Loss)/profit for the year attributable to ordinary equity shareholders of the Company (diluted)	(35,973)	44,090	58,288

(ii) Weighted average number of ordinary shares (diluted):

	Years ended 31 December		
	2022	2023	2024
	'000	*'000*	*'000*
Weighted average number of ordinary shares at 31 December	573,380	575,089	576,629
Effect of unvested shares held for share-based incentive scheme after vested	–	4,684	8,461
Effect of redemption liabilities after conversion to share capital	5,230	–	–
Weighted average number of ordinary shares (diluted) at 31 December	578,610	579,773	585,090

Ordinary shares with redemption option (note 20(b)) were not included in the calculation of diluted earnings per share for the years ended 31 December 2023 and 2024 because their effect would have been anti-dilutive.

The effects of unvested ordinary shares held for under the share-based incentive scheme with employees have not been included in the calculation of diluted loss per share for the year ended 31 December 2022 because their effect would be anti-dilutive.

11 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Reconciliation of carrying amount

The Group

	Leasehold improvement	Kitchen equipment	Electronic equipment	Other equipments	Construction in progress	Subtotal	Property – Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:								
At 1 January 2022	71,010	13,495	2,424	3,020	6,142	96,091	482,188	578,279
Additions	–	4,211	502	1,060	28,332	34,105	120,179	154,284
Transfer from construction in progress	31,249	–	–	–	(31,249)	–	–	–
Disposals	(6,905)	(3,192)	(719)	(1,757)	–	(12,573)	(6,484)	(19,057)
At 31 December 2022 and 1 January 2023	95,354	14,514	2,207	2,323	3,225	117,623	595,883	713,506
Additions	–	9,927	876	2,082	43,771	56,656	280,678	337,334
Transfer from construction in progress	41,984	–	–	–	(41,984)	–	–	–
Disposals	(2,857)	(490)	(208)	(7)	–	(3,562)	(10,343)	(13,905)
At 31 December 2023 and 1 January 2024	134,481	23,951	2,875	4,398	5,012	170,717	866,218	1,036,935
Additions	–	12,937	1,454	6,432	80,527	101,350	380,744	482,094
Transfer from construction in progress	80,769	–	–	–	(80,769)	–	–	–
Disposals	(6,950)	(4,052)	(374)	(128)	–	(11,504)	(84,325)	(95,829)
At 31 December 2024	208,300	32,836	3,955	10,702	4,770	260,563	1,162,637	1,423,200
Accumulated depreciation:								
At 1 January 2022	22,552	3,976	959	1,195	–	28,682	122,814	151,496
Charge for the year	18,258	2,100	325	292	–	20,975	94,620	115,595
Disposals	(4,128)	(1,579)	(403)	(1,164)	–	(7,274)	(1,706)	(8,980)
At 31 December 2022 and 1 January 2023	36,682	4,497	881	323	–	42,383	215,728	258,111
Charge for the year	19,704	2,555	338	449	–	23,046	125,429	148,475
Disposals	(356)	(367)	(162)	(1)	–	(886)	(2,063)	(2,949)
At 31 December 2023 and 1 January 2024	56,030	6,685	1,057	771	–	64,543	339,094	403,637
Charge for the year	30,016	3,679	514	1,568	–	35,777	188,845	224,622
Disposals	(4,687)	(1,458)	(179)	(17)	–	(6,341)	(48,502)	(54,843)
At 31 December 2024	81,359	8,906	1,392	2,322	–	93,979	479,437	573,416

	Leasehold improvement	Kitchen equipment	Electronic equipment	Other equipments	Construction in progress	Subtotal	Property – Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Impairment:								
At 1 January 2022	6,658	964	102	28	–	7,752	–	7,752
Addition	7,654	1,419	125	242	–	9,440	–	9,440
Disposals	(2,366)	(160)	(26)	(19)	–	(2,571)	–	(2,571)
At 31 December 2022 and 1 January 2023	11,946	2,223	201	251	–	14,621	–	14,621
Addition	5,706	2,564	204	464	–	8,938	–	8,938
Disposals	(2,351)	(40)	(8)	(6)	–	(2,405)	–	(2,405)
At 31 December 2023 and 1 January 2024	15,301	4,747	397	709	–	21,154	–	21,154
Addition	1,126	309	31	123	–	1,589	–	1,589
Disposals	(1,788)	(2,287)	(129)	–	–	(4,204)	–	(4,204)
At 31 December 2024	14,639	2,769	299	832	–	18,539	–	18,539
Net Book Value:								
At 31 December 2024	112,302	21,161	2,264	7,548	4,770	148,045	683,200	831,245
At 31 December 2023	63,150	12,519	1,421	2,918	5,012	85,020	527,124	612,144
At 31 December 2022	46,726	7,794	1,125	1,749	3,225	60,619	380,155	440,774

The Company

	Leasehold improvement	Kitchen equipment	Electronic equipment	Other equipments	Construction in progress	Subtotal	Property – Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:								
At 1 January 2022	30,440	6,195	1,488	2,254	883	41,260	178,644	219,904
Additions	–	613	129	132	6,083	6,957	35,388	42,345
Transfer from construction in progress	6,966	–	–	–	(6,966)	–	–	–
Disposals	(4,016)	(2,241)	(542)	(1,308)	–	(8,107)	–	(8,107)
At 31 December 2022 and 1 January 2023	33,390	4,567	1,075	1,078	–	40,110	214,032	254,142
Additions	–	777	166	101	4,542	5,586	52,300	57,886
Transfer from construction in progress	4,114	–	–	–	(4,114)	–	–	–
Disposals	–	(233)	(173)	–	–	(406)	–	(406)
At 31 December 2023 and 1 January 2024	37,504	5,111	1,068	1,179	428	45,290	266,332	311,622
Additions	–	822	185	205	4,179	5,391	32,497	37,888
Transfer from construction in progress	4,226	–	–	–	(4,226)	–	–	–
Disposals	(1,215)	(972)	(73)	(24)	–	(2,284)	(43,726)	(46,010)
At 31 December 2024	40,515	4,961	1,180	1,360	381	48,397	255,103	303,500

	Leasehold improvement	Kitchen equipment	Electronic equipment	Other equipments	Construction in progress	Subtotal	Property – Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:								
At 1 January 2022	12,108	2,485	724	992	–	16,309	61,812	78,121
Charge for the year	6,289	732	162	191	–	7,374	32,298	39,672
Disposals	(3,865)	(1,414)	(373)	(971)	–	(6,623)	–	(6,623)
At 31 December 2022 and 1 January 2023	14,532	1,803	513	212	–	17,060	94,110	111,170
Charge for the year	5,228	679	164	184	–	6,255	38,970	45,225
Disposals	–	(191)	(140)	–	–	(331)	–	(331)
At 31 December 2023 and 1 January 2024	19,760	2,291	537	396	–	22,984	133,080	156,064
Charge for the year	5,497	654	170	234	–	6,555	46,585	53,140
Disposals	(1,215)	(581)	(57)	(3)	–	(1,856)	(22,927)	(24,783)
At 31 December 2024	24,042	2,364	650	627	–	27,683	156,738	184,421

	Leasehold improvement	Kitchen equipment	Electronic equipment	Other equipments	Construction in progress	Subtotal	Property – Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Impairment:								
At 1 January 2022	1,946	222	29	19	–	2,216	–	2,216
Addition	1,751	172	22	4	–	1,949	–	1,949
Disposals	–	(49)	(8)	(9)	–	(66)	–	(66)
At 31 December 2022 and 1 January 2023	3,697	345	43	14	–	4,099	–	4,099
Addition	1,288	337	33	36	–	1,694	–	1,694
Disposals	–	(6)	–	–	–	(6)	–	(6)
At 31 December 2023 and 1 January 2024	4,985	676	76	50	–	5,787	–	5,787
Addition	–	27	–	–	–	27	–	27
Disposals	–	(298)	(10)	–	–	(308)	–	(308)
At 31 December 2024	4,985	405	66	50	–	5,506	–	5,506
Net Book Value:								
At 31 December 2024	11,488	2,192	464	683	381	15,208	98,365	113,573
At 31 December 2023	12,759	2,144	455	733	428	16,519	133,252	149,771
At 31 December 2022	15,161	2,419	519	852	–	18,951	119,922	138,873

Impairment losses

As at 31 December 2022, 2023 and 2024, in view of the unfavorable future prospects of certain restaurants, the Group's management estimated the recoverable amount of each such restaurant (cash-generating unit ("CGU")) with an indication of impairment. The recoverable amount of each CGU is determined based on fair value less cost of disposal or the value-in-use calculations by preparing cash flow projections of the relevant CGUs derived from the most recent financial forecast approved by the management covering the remaining lease term, which is higher.

The cash flows are discounted using a discount rate of 19.67%, 18.25% and 18.17% as at 31 December 2022, 2023 and 2024, respectively. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGUs.

In addition, the recoverable amount of certain CGU is determined based on fair value less cost of disposal, using direct comparison approach by assuming each of the stores is assigned in its current condition with vacant possession. Significant unobservable inputs used in the fair value measurement include market rentals, by making reference to lease transactions of comparable properties in close proximity as available in the relevant market, adjusted for any difference in factors such as location and property size. The fair value on which the recoverable amount is based on its categorised as level 3 measurement.

For the years ended 31 December 2022, 2023 and 2024, an impairment loss of RMB9,440,000, RMB8,938,000 and RMB1,589,000 was recognised, respectively, as the carrying amount of certain CGUs exceeded their recoverable amount. Impairment losses were allocated to the assets in related restaurant including leasehold improvement and other property, plant and equipment within CGU on a pro rata basis, and was recognised in the consolidated statements of profit or loss and other comprehensive income in the respective year.

(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:

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Property – Right-of-use assets, carried at depreciated cost *(note (i))*	380,155	527,124	683,200

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Property – Right-of-use assets, carried at depreciated cost	119,922	133,252	98,365

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:			
Property – Right-of-use assets	94,620	125,429	188,845
Interest on lease liabilities *(note 6(a))*	16,600	19,074	27,083
Expense relating to leases of low-value assets	1,109	2,175	2,586
Variable lease payments not included in the measurement of lease liabilities	3,414	16,190	19,046

For the years ended 31 December 2022, 2023 and 2024, additions to right-of-use assets were RMB120,179,000, RMB280,678,000 and RMB380,744,000, respectively. These amounts primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 19(d) and 22, 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 run for an initial period of 1 to 12 years.

The Group leased a number of restaurants which contain variable lease payment terms that are based on sales generated from the restaurants and minimum annual lease payment terms that are fixed. These payment terms are common in restaurants in the PRC where the Group principally operates.

The amount of fixed and variable lease payments associated with right-of-use assets for each reporting period is summarised below:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Fixed payments	85,545	147,685	204,161
Rental expense related to variable payments	3,414	16,190	19,046
Total payments	88,959	163,875	223,207

12 INTANGIBLE ASSETS

The Group

	Software
	RMB'000
Cost:	
At 1 January 2022	2,956
Additions	1,722
At 31 December 2022 and 1 January 2023	4,678
Additions	1,256
At 31 December 2023 and 1 January 2024	5,934
Additions	2,607
At 31 December 2024	8,541
Accumulated amortisation:	
At 1 January 2022	497
Charge for the year	853
At 31 December 2022 and 1 January 2023	1,350
Charge for the year	1,167
At 31 December 2023 and 1 January 2024	2,517
Charge for the year	1,872
At 31 December 2024	4,389
Net book value:	
At 31 December 2024	4,152
At 31 December 2023	3,417
At 31 December 2022	3,328

The amortisation charge for the years ended 31 December 2022, 2023 and 2024 is included in "depreciation and amortisation of other assets" in the consolidated statements of profit or loss and other comprehensive income.

The Company

	Software
	RMB'000
Cost:	
At 1 January 2022 and 31 December 2022 and 1 January 2023 and 31 December 2023 and 1 January 2024 and 31 December 2024	281
Accumulated amortisation:	
At 1 January 2022	127
Charge for the year	42
At 31 December 2022 and 1 January 2023	169
Charge for the year	51
At 31 December 2023 and 1 January 2024	220
Charge for the year	49
At 31 December 2024	269
Net book value:	
At 31 December 2024	12
At 31 December 2023	61
At 31 December 2022	112

13 INVESTMENT IN SUBSIDIARIES

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Investments in subsidiaries	3,000	13,000	17,590

The financial statements of the Company for the years ended 31 December 2022 and 2023 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC ("PRC GAAP") and audited by Guangzhou Huazhongpu Accounting Service Partnership Enterprise (General Partnership) (廣州華眾普會計師事務所(普通合夥)) and Guangdong Wanjia Certified Public Accountants (General Partnership) (廣東萬嘉會計事務所(普通合夥)), respectively. [At the date of this report, the audited financial statements of the Company for the year ended 31 December 2024 prepared in accordance with PRC GAAP is not yet available.]

The following list contains only the particulars of subsidiaries which principally and significantly affected the results, assets or liabilities of the Group for the years ended 31 December 2022, 2023 and 2024 and as at the date of this report. The class of shares held is ordinary unless otherwise stated.

Company name	Place of incorporation and operation	Particulars of issued capital	Particulars of paid-up capital	Proportion of ownership interest: Direct interest	Proportion of ownership interest: Indirect interest	Principal business activities
北京遇見小麵餐飲管理有限公司 (Beijing Yujian Xiaomian Catering Management Co., Ltd.) *(i) (ii)*	Chinese Mainland	RMB1,000,000	RMB1,000,000	100%	–	Catering management
廣州遇見好物供應鏈管理有限公司 (Guangzhou Yujian Haowu Supply Chain Management Co., Ltd.) *(i) (ii)*	Chinese Mainland	RMB1,000,000	RMB1,000,000	100%	–	Supply chain management
深圳遇見小麵餐飲管理有限公司 (Shenzhen Yujian Xiaomian Catering Management Co., Ltd.) *(i) (ii)*	Chinese Mainland	RMB10,000,000	RMB1,000,000	100%	–	Catering management
淮安遇見好物供應鏈管理有限公司 (Huai'an Xujian Haowu Supply Chain Management Co., Ltd.) *(i) (iv)*	Chinese Mainland	RMB10,000,000	RMB10,000,000	100%	–	Supply chain management
武漢遇見小麵餐飲管理有限公司 (Wuhan Yujian Xiaomian Catering Management Co., Ltd.) *(i) (v)*	Chinese Mainland	RMB1,000,000	RMB1,000,000	100%	–	Catering management
四川遇見好玩信息科技有限公司 (Sichuan Yujian Haowan Information Technology Co., Ltd.) *(i) (v)*	Chinese Mainland	RMB1,000,000	RMB1,000,000	100%	–	Provision of information technology services
廣州遇見好玩信息科技服務有限公司 (Guangzhou Yujian Haowan Information Technology Service Co., Ltd.) *(i) (ii)*	Chinese Mainland	RMB5,000,000	RMB5,000,000	100%	–	Provision of information technology services
廣州遇見小麵餐飲服務有限公司 (Guangzhou Yujian Xiaomian Catering Service Co., Ltd.) *(i) (iii)*	Chinese Mainland	RMB10,000,000	RMB10,000,000	100%	–	Catering management

Notes:

(i) These entities are PRC limited liability companies. The official names of these entities are in Chinese. The English translation of the names is for reference only.

(ii) The financial statements of these entities for the years ended 31 December 2022 and 2023 were prepared in accordance with the PRC GAAP and audited by Guangzhou Huazhongpu Accounting Service Partnership Enterprise (General Partnership) (廣州華眾普會計師事務所(普通合夥)) and Guangdong Wanjia Certified Public Accountants (General Partnership) (廣東萬嘉會計事務所(普通合夥)), respectively. [At the date of this report, the audited financial statements of these entities for the year ended 31 December 2024 prepared in accordance with PRC GAAP is not yet available.]

(iii) The financial statements of the entity for the years ended 31 December 2022 and 2023 were prepared in accordance with the PRC GAAP and audited by Guangdong Wanjia Certified Public Accountants (General Partnership) (廣東萬嘉會計事務所(普通合夥)). [At the date of this report, the audited financial statements of the entities for the year ended 31 December 2024 prepared in accordance with PRC GAAP is not yet available.]

(iv) No financial statements have been prepared for the entity in 2022 as it was newly incorporated in 2023. The financial statements of the entity for the year ended 31 December 2023 were prepared in accordance with the PRC GAAP and audited by Guangdong Wanjia Certified Public Accountants (General Partnership) (廣東萬嘉會計事務所(普通合夥)). [At the date of this report, the audited financial statements of the entities for the year ended 31 December 2024 prepared in accordance with PRC GAAP is not yet available.]

(v) No financial statements have been prepared for these entities for the years ended 31 December 2022, 2023 and 2024 in accordance with the PRC GAAP.

All subsidiaries have adopted December 31 as their financial year end date.

14 LEASE PAYMENT RECEIVABLES

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	4,462	4,245	2,529
After 1 year but within 2 years	4,245	2,529	640
After 2 years but within 5 years	3,851	1,410	621
After 5 years	89	–	–
	12,647	8,184	3,790
Less: total future interest income	809	398	159
Present value of lease payment receivables	11,838	7,786	3,631
Lease payment receivables included in the consolidated statements of financial position			
– Within 1 year	4,052	4,005	2,425
– After 1 year but within 2 years	4,006	2,426	599
– After 2 years but within 5 years	3,691	1,355	607
– After 5 years	89	–	–
	7,786	3,781	1,206
	11,838	7,786	3,631

The Group, as the intermediate lessor, entered into restaurants sublease agreements with certain franchisees, which were classified as finance leases. The cost of lease assets is capitalised at the present value of the lease payments and presented as a receivable at an amount equal to the net investment in the lease.

15 FINANCIAL ASSETS MEASURED AT FVPL

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Financial assets measured at FVPL			
– Unlisted structured deposits	7,009	25,063	70,261

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Financial assets measured at FVPL			
– Unlisted structured deposits	7,009	25,063	15,009

The amount represents investments in structured deposits issued by financial institutions in the PRC. There are no fixed or determinable returns of these structured deposits.

16 OTHER NON-CURRENT ASSETS

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Prepayment for leasehold improvement	51	439	180
Long-term receivables	5,821	3,073	1,768
	5,872	3,512	1,948

17 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Food ingredients	16,299	26,652	22,037
Other materials	340	446	629
	16,639	27,098	22,666

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Food ingredients	616	990	985
Other materials	166	168	192
	782	1,158	1,177

(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		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	160,138	290,270	395,701

18 TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade debtors, net of loss allowance	7,486	16,045	18,790
Input value-added tax recoverable	6,631	13,263	28,576
Deposits	4,099	13,665	19,903
Other receivables	1,844	1,113	1,338
Current portion of long-term receivables	1,226	683	431
Prepayments to vendors	4,799	6,105	8,882
Prepayment for [**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]
Lease payment receivables	4,052	4,005	2,425
	30,137	54,879	80,468

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade debtors	1,555	1,875	2,990
Input value-added tax recoverable	3,566	3,919	5,741
Deposits	1,432	8,910	5,831
Other receivables	716	695	792
Dividend receivables	–	21,500	55,500
Prepayments to vendors	2,163	2,764	5,084
Prepayment for [**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]
Amount due from subsidiaries	147,613	82,358	111,575
	157,045	122,021	187,636

All of the trade and other receivables is expected to be recovered or recognised as expense within one year or are recovered on demand.

Ageing analysis:

As at 31 December 2022, 2023 and 2024, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the revenue recognition date, is as follows:

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	7,486	13,440	17,643
More than 1 month but within 3 months	–	2,605	1,147
	7,486	16,045	18,790

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	1,555	1,875	2,990

Further details on the Group's credit policy are set out in note 28(a).

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	202	214	167
Cash at bank	48,424	47,689	73,347
Less: restricted bank deposits *(note (i))*	(12,107)	(21,139)	(31,324)
Cash and cash equivalents in the consolidated statements of financial position and the consolidated cash flow statements	36,519	26,764	42,190

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	202	214	167
Cash at bank	28,207	32,414	58,910
Less: restricted bank deposits *(note (i))*	(12,107)	(20,012)	(30,197)
Cash and cash equivalents in the statements of financial position of the Company	16,302	12,616	28,880

(i) As at 31 December 2022, 2023 and 2024, restricted bank deposits mainly was reserved for receipts in advance of stored value membership accounts in accordance with relevant regulations issued by Ministry of Commerce of PRC.

(b) Reconciliation of (loss)/profit before taxation to cash generated from operations:

	Note	Years ended 31 December 2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before taxation		(48,145)	57,138	74,881
Adjustments for:				
Interest income and investment income	*5*	(2,339)	(3,326)	(3,207)
Depreciation	*6(e)*	115,595	148,475	224,622
Amortisation of intangible assets	*6(e)*	853	1,167	1,872
Finance costs	*6(a)*	16,962	19,333	27,771
Losses/(gains) on disposal of property, plant and equipment and right-of-use assets		306	(1,229)	(3,994)
Impairment losses on property, plant and equipment	*11(a)*	9,440	8,938	1,589
Equity-settled share-based payment expenses	*6(b)*	1,337	1,419	3,139
Net fair value changes of financial assets measured at FVPL	*6(c)*	(9)	(63)	(261)
Changes in working capital:				
Increase in lease payment receivables		4,052	4,005	2,426
Decrease/(increase) in inventories		2,972	(10,459)	4,432
Increase in trade and other receivables and rental deposits		(6,045)	(32,006)	(29,994)
(Decrease)/increase in trade and other payables and accruals		(1,601)	43,269	10,370
Increase in contract liabilities		17,680	25,181	23,486
Increase in restricted bank deposits		(6,118)	(9,032)	(10,185)
Cash generated from operations		104,940	252,810	326,947

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Bank loans	Finance costs payable	Lease liabilities	Total
	RMB'000 *note 24*	*RMB'000*	*RMB'000* *note 22*	*RMB'000*
At 1 January 2022	–	–	394,634	394,634
Changes from financing cash flows:				
Proceeds from bank loans	35,394	–	–	35,394
Repayment of bank loans	(25,412)	–	–	(25,412)
Interest of bank loans paid	–	(198)	–	(198)
Payment of capital element of lease liabilities	–	–	(68,945)	(68,945)
Payment of interest element of lease liabilities	–	–	(16,600)	(16,600)
Total changes from financing cash flows	9,982	(198)	(85,545)	(75,761)
Other changes:				
Interest expenses *(note 6(a))*	–	208	16,600	16,808
Increase in lease liabilities from entering into new leases during the year	–	–	117,924	117,924
Decrease in lease liabilities from terminating leases during the year	–	–	(4,908)	(4,908)
Total other changes	–	208	129,616	129,824
At 31 December 2022	9,982	10	438,705	448,697

	Bank loans	Finance costs payable	Dividend payables	Lease liabilities	Total
	RMB'000 *note 24*	*RMB'000*	*RMB'000* *note 20*	*RMB'000* *note 22*	*RMB'000*
At 1 January 2023	9,982	10	–	438,705	448,697
Changes from financing cash flows:					
Proceeds from bank loans	25,115	–	–	–	25,115
Repayment of bank loans	(35,097)	–	–	–	(35,097)
Interest of bank loans paid	–	(55)	–	–	(55)
Payment of capital element of lease liabilities	–	–	–	(128,611)	(128,611)
Payment of interest element of lease liabilities	–	–	–	(19,074)	(19,074)
Dividends paid	–	–	(19,152)	–	(19,152)
Total changes from financing cash flows	(9,982)	(55)	(19,152)	(147,685)	(176,874)
Other changes:					
Interest expenses *(note 6(a))*	–	45	–	19,074	19,119
Dividends approved	–	–	19,546	–	19,546
Increase in lease liabilities from entering into new leases during the year	–	–	–	276,220	276,220
Decrease in lease liabilities from terminating leases during the year	–	–	–	(9,762)	(9,762)
Total other changes	–	45	19,546	285,532	305,123
At 31 December 2023	–	–	394	576,552	576,946

	Bank loans	Finance costs payable	Dividend payables	Lease liabilities	Total
	RMB'000 *note 24*	*RMB'000*	*RMB'000* *note 20*	*RMB'000* *note 22*	*RMB'000*
At 1 January 2024	–	–	394	576,552	576,946
Changes from financing cash flows:					
Proceeds from bank loans	50,000	–	–	–	50,000
Interest of bank loans paid	–	(381)	–	–	(381)
Payment of capital element of lease liabilities	–	–	–	(177,078)	(177,078)
Payment of interest element of lease liabilities	–	–	–	(27,083)	(27,083)
Dividends paid	–	–	(394)	–	(394)
Total changes from financing cash flows	50,000	(381)	(394)	(204,161)	(154,936)
Other changes:					
Interest expenses *(note 6(a))*	–	381	–	27,083	27,464
Increase in lease liabilities from entering into new leases during the year	–	–	–	375,110	375,110
Decrease in lease liabilities from terminating leases during the year	–	–	–	(39,965)	(39,965)
Total other changes	–	381	–	362,228	362,609
At 31 December 2024	50,000	–	–	734,619	784,619

(d) Total cash outflow for leases:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within operating cash flows	5,228	18,409	20,639
Within financing cash flows	85,545	147,685	204,161
	90,773	166,094	224,800

These amounts relate to the following:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Lease rentals settled	90,773	166,094	224,800

20 TRADE AND OTHER PAYABLES AND REDEMPTION LIABILITIES

(a) Trade and other payables

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	24,198	47,645	49,828
Payables for purchase of property, plant and equipment	7,271	5,920	13,170
Staff cost payable	8,208	19,293	22,919
Deposits received from franchisees and suppliers	6,334	8,475	9,643
Other taxes payables	123	809	1,275
Other payables	4,770	10,669	13,516
Dividends payable	–	394	–
	50,904	93,205	110,351

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Payables for purchase of property, plant and equipment	4,647	3,875	4,709
Staff cost payable	3,464	6,474	6,746
Deposits received from suppliers	1,310	1,479	1,415
Other taxes payables	16	145	261
Other payables	723	3,347	2,902
Amount due to subsidiaries	40,115	21,484	42,623
Dividends payable	–	394	–
	50,275	37,198	58,656

All of other payables is expected to be settled within one year or are repayable on demand.

As at 31 December 2022, 2023 and 2024, the ageing analysis of trade payables, based on the invoice date, is as follows:

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	24,198	47,645	49,828

(b) Redemption liabilities

The Group and the Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Redemption liabilities	45,000	45,000	45,000

During 2014 to 2021, the Company conducted several rounds of financing by issuing paid-in capital to investors and granting them certain special rights.

The Series Angel, Series Pre-A, Series A, Series A+, Series B and Series B+ investors (collectively refer to as "the Investors") are entitled to the same voting rights and dividend rights as the founding shareholder of the Company. Certain key special rights issued to the Investors are summarised as follows:

Redemption rights

In March 2021, the Company entered into an investment agreement with an investor (the "Series B Investor"), pursuant to which, the Series B Investor agreed to pay, in aggregate, RMB30,000,000 to subscribe for the Company's paid-in capital of RMB487,000.

The Series B Investor would have the right to request the Company to purchase all or part of the paid-in capital of the Company held by it, upon the occurrence of any of the specified contingent events, including but not limited to:

(1) the Company fails to complete a qualified [**REDACTED**] on or before the seventh anniversary from 11 March 2021;

(2) the Company or the actual controllers of the founding shareholder of the Company have seriously breached any term of the transaction documents;

(3) the actual controllers of the founding shareholder of the Company lose control over the Company without the written consent of the Series B Investor.

The redemption price is the higher of (i) the aggregate of the original issue price plus an annual rate of return of 7% calculated on a simple basis plus all declared but unpaid dividends; and (ii) the aggregate of the 150% original issue price plus all declared but unpaid dividends.

The redemption right will automatically expire upon the qualified [**REDACTED**] of the Company's shares.

Anti-dilution right

If the Company issues new shares at a price per share lower than the respective issue price per share to the Investors, the Investors shall have the right to subscribe for new shares or to acquire shares from the founding shareholder at nil consideration or at minimum consideration permitted by law, so that the total amount paid by the Investors divided by the total amount of shares obtained is equal to the price per share in the new issuance.

Measurement

The Company recognised the financial liabilities arising from its obligation to purchase all or part of the paid-in capital from the Series B Investor under the specified contingent events of which the occurrence are beyond the control of the Company. The redemption liabilities are measured at the highest redemption amount under different contingent events on a present-value basis.

21 CONTRACT LIABILITIES

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current			
Franchising income	1,508	3,364	3,091
Stored value membership accounts and issued vouchers	34,228	55,751	78,703
Customer loyalty scheme	914	1,027	834
	36,650	60,142	82,628

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Franchising income	1,875	3,564	4,564

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Stored value membership accounts and issued vouchers	34,199	55,723	78,675
Customer loyalty scheme	246	224	148
	34,445	55,947	78,823

Movements in contract liabilities:

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	20,845	38,525	63,706
Increase in contract liabilities as a result of receiving advance payment of franchising income during the year	1,683	5,019	4,039
Increase in contract liabilities as a result of receiving advance payment of stored value membership accounts and issued vouchers during the year	34,227	55,751	78,699
Increase in contract liabilities as a result of receiving advance payment of customer loyalty scheme during the year	914	1,027	834
Decrease in contract liabilities as a result of recognising revenue during the year	(19,144)	(36,616)	(60,086)
Balance at the end of the year	38,525	63,706	87,192

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	18,132	34,445	55,947
Increase in contract liabilities as a result of receiving advance payment of stored value membership accounts and issued vouchers during the year	34,199	55,723	78,675
Increase in contract liabilities as a result of receiving advance payment of customer loyalty scheme during the year	246	224	148
Decrease in contract liabilities as a result of recognising revenue during the year	(18,132)	(34,445)	(55,947)
Balance at the end of the year	34,445	55,947	78,823

As at 31 December 2022, 2023 and 2024, the amount of contract liabilities expected to be recognised as income after more than one year is RMB1,875,000, RMB3,564,000 and RMB4,564,000. All of the other contract liabilities are expected to be recognised as income within one year.

22 LEASE LIABILITIES

As at 31 December 2022, 2023 and 2024, the lease liabilities were repayable as follows:

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	124,151	162,441	219,473
After 1 year but within 2 years	113,769	155,967	190,136
After 2 years but within 5 years	186,601	259,496	328,853
After 5 years	62,186	57,927	63,265
	486,707	635,831	801,727
Less: total future interest expenses	48,002	59,279	67,108
Present value of lease liabilities	438,705	576,552	734,619
Lease liabilities included in the consolidated statements of financial position			
– Within 1 year	108,548	141,318	194,423
– After 1 year but within 2 years	100,249	139,271	172,559
– After 2 years but within 5 years	171,296	240,603	307,321
– After 5 years	58,612	55,360	60,316
	330,157	435,234	540,196
	438,705	576,552	734,619

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	43,550	45,682	43,539
After 1 year but within 2 years	40,227	48,324	29,900
After 2 years but within 5 years	64,088	63,849	40,925
After 5 years	2,722	1,606	345
	150,587	159,461	114,709
Less: total future interest expenses	11,147	12,088	7,380
Present value of lease liabilities	139,440	147,373	107,329
Lease liabilities included in the statements of financial position			
– Within 1 year	38,699	40,280	39,956
– After 1 year but within 2 years	36,865	44,914	27,801
– After 2 years but within 5 years	61,227	60,588	39,229
– After 5 years	2,649	1,591	343
	100,741	107,093	67,373
	139,440	147,373	107,329

23 PROVISIONS

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Provisions for restoration costs	4,310	6,631	8,735

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Provisions for restoration costs	1,363	1,549	1,680

Movements in provisions:

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	3,405	4,310	6,631
Additional provisions	880	2,107	2,151
Unwind of discount	154	214	307
Provisions utilised	(129)	–	(354)
Balance at 31 December	4,310	6,631	8,735

The Company

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	1,128	1,363	1,549
Additional provisions	185	128	91
Unwind of discount	50	58	64
Provisions utilised	–	–	(24)
Balance at 31 December	1,363	1,549	1,680

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.

24 BANK LOANS

The analysis of the repayment schedule of bank loans is as follows:

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within one year or on demand			
– guaranteed	9,982	–	50,000

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within one year or on demand			
– guaranteed	9,859	–	–

All of the bank loans as at 31 December 2022 and 2024 were guaranteed by related parties (note 30(d)).

All of the Group's banking facilities are subject to the fulfilment of covenants relating to the Group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the related loans would become payable on demand. The Group did not identify any difficulties complying with the covenants. Further details of the covenants and the Group's management of liquidity risk are set out in note 28(b). As at 31 December 2022 and 2024, none of the covenants relating to the drawn down facilities had been breached.

25 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

The Group

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At the beginning of the year	50	(108)	2,034
Provisions for PRC income tax	9	9,826	17,936
Provisions for income tax of other jurisdictions	–	–	163
Income tax paid	(167)	(7,684)	(13,401)
At the end of the year	(108)	2,034	6,732
Reconciliation to the consolidated statements of financial position			
Income tax payable	6	3,610	7,459
Income tax recoverable	(114)	(1,576)	(727)
	(108)	2,034	6,732

Current taxation in the statements of financial position of the Company represents:

The Company

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	12	(21)	(628)
Provisions for PRC income tax	–	421	2,480
Income tax paid	(33)	(1,028)	(1,027)
At the end of the year	(21)	(628)	825
Reconciliation to the statements of financial position of the Company			
Income tax payable	–	–	825
Income tax recoverable	(21)	(628)	–
	(21)	(628)	825

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements for the years ended 2022, 2023 and 2024 are as follows:

The Group

Deferred tax assets/(liabilities) arising from:	Unused tax losses	Right-of-use assets	Lease liabilities	Provisions	Impairment losses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021 and 1 January 2022	1,514	(86,862)	94,248	740	1,738	1,089	12,467
Credited/(charged) to profit or loss	5,150	(3,841)	8,358	191	1,867	456	12,181
At 31 December 2022	6,664	(90,703)	102,606	931	3,605	1,545	24,648
(Charged) /credited to profit or loss	(5,848)	(27,805)	29,930	462	1,175	688	(1,398)
At 31 December 2023	816	(118,508)	132,536	1,393	4,780	2,233	23,250
Credited/(charged) to profit or loss	1,295	(12,728)	14,251	319	(498)	1,279	3,918
At 31 December 2024	2,111	(131,236)	146,787	1,712	4,282	3,512	27,168

The components of deferred tax assets/(liabilities) recognised in the statements of financial position of the Company and the movements for the years ended 2022, 2023 and 2024 are as follows:

The Company

Deferred tax assets/(liabilities) arising from:	Unused tax losses	Right-of-use assets	Lease liabilities	Provisions	Impairment losses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021 and 1 January 2022	–	(28,801)	31,926	282	554	873	4,834
Credited/(charged) to profit or loss	1,135	(778)	2,134	59	471	333	3,354
At 31 December 2022	1,135	(29,579)	34,060	341	1,025	1,206	8,188
(Charged) /credited to profit or loss	(1,135)	(3,319)	3,570	46	422	355	(61)
At 31 December 2023	–	(32,898)	37,630	387	1,447	1,561	8,127
Credited/(charged) to profit or loss	–	8,725	(9,402)	33	(70)	818	104
At 31 December 2024	–	(24,173)	28,228	420	1,377	2,379	8,231

(ii) ***Reconciliation to the consolidated statements of financial position***

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets in the consolidated statements of financial position	24,648	23,250	27,168

Reconciliation to the statements of financial position of the Company

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets in the statements of financial position	8,188	8,127	8,231

26 EQUITY SETTLED SHARE-BASED PAYMENTS

The share-based incentive scheme (the "Scheme") was approved and adopted by Company in 2019. In connection with the Scheme, Huai'an Yujian Haoren Enterprise Management Partnership (Limited Partnership) ("Huai'an Yujian Haoren") was established as the employee incentive vehicles to hold the shares of the Company. The eligible employees under the Scheme would be granted options which give the holder the right to subscribe for the shares of the Company through holding the limited partnership interests in Huai'an Yujian Haoren at the exercise price of RMB0.02 per share of the Company. As the Company has the right to direct the relevant activities of Huai'an Yujian Haoren so as to suit the Company's obligations in relation to the Scheme, Huai'an Yujian Haoren is treated as the subsidiary of the Company.

Accordingly, the ordinary shares of the Company held by the Huai'an Yujian Haoren are recorded under the shares held for the share-based incentive scheme of the Group until the share options are exercised and vested.

(a) The terms and conditions of the grants are as follows:

Each share option would become exercisable when the explicit required service period and the grantee's annual performance evaluation during the explicit required service period are satisfied. The shares of the Company underlying the share options ("Restricted Shares") are not allowed to transfer before the completion of a qualified [**REDACTED**] of the Company ("[**REDACTED**]") unless the Company approves the transfer. Before the completion of an [**REDACTED**], the Company has the right to repurchase the Restricted Shares at the original exercise price received per share for the employees at manager-level or below or at the higher of 30% of the per-share valuation in the most recent financing round and the original exercise price received per share for the employees at departmental director-level or above.

The grantees as the holder of the Restricted Shares would be entitled to the relevant non-forfeitable dividend right. All unexercised share options shall become lapse upon the termination of employment.

	Number of instruments	Required service period from the date of grant	Contractual life of options
Options granted to employees at departmental director-level or above:			
– on 5 April 2019, 5 May 2019, 1 October 2019, 5 April 2020, 5 May 2020, 1 June 2020, 28 June 2020, 1 October 2020, 5 April 2021, 5 May 2021 and 1 October 2021	9,353,550	No vesting period	0.25 years
– on 2 December 2019, 7 January 2020, 1 November 2020 and 1 December 2020	1,595,300	2 years	2.25 years
– on 2 December 2019, 7 January 2020, 1 November 2020, 1 December 2020, 15 October 2021, 15 October 2022, 16 February 2023, 15 October 2023, 1 February 2024, 18 February 2024, 26 February 2024, 20 March 2024	6,118,150	3 years	3.25 years
– on 2 December 2019, 7 January 2020, 1 November 2020 and 1 December 2020	1,595,700	4 years	4.25 years
– on 1 November 2020	1,025,650	4.91 years	5.16 years
– on 26 February 2024	306,650	1.59 years	1.84 years
Options granted to employees at manager-level or below:			
– on 15 October 2021	60,000	Until the later of the completion of an [**REDACTED**] and the end of 3.96 years from the date of the grant	4.21 years
– on 16 February 2023, 31 March 2023, 17 January 2024 and 28 March 2024	1,020,000	Until the later of the completion of an [**REDACTED**] and the end of 3 years from the date of the grant	3.25 years
Total share options granted	21,075,000		

(b) The number and weighted average exercise prices of share options and the number of the Restricted Shares are as follows:

	Number of Options	Number of Restricted Shares
Outstanding as of 1 January 2022	6,143,400	–
Granted during the year	613,300	–
Exercised during the year	(1,709,250)	1,709,250
Vested during the year	–	(1,709,250)
Outstanding as of 31 December 2022	5,047,450	–
Granted during the year	1,449,700	–
Exercised during the year	(1,709,350)	1,709,350
Vested during the year	–	(1,709,350)
Outstanding as of 31 December 2023	4,787,800	–
Granted during the year	3,173,200	–
Exercised during the year	(1,699,150)	1,699,150
Vested during the year	–	(1,639,150)
Outstanding as of 31 December 2024	6,261,850	60,000

For the years ended 31 December 2022, 2023 and 2024, the Group recognised share-based expenses of RMB1,337,000, RMB1,419,000 and RMB3,139,000 (Note 5(b)).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

	2022	2023	2024
Fair value of share options and assumptions			
Fair value at measurement date (RMB)	1.47	1.47-2.02	1.93-1.97
Share price (RMB)	1.49	1.49-2.04	2.04
Exercise price (RMB)	0.02	0.02	0.02
Expected volatility	52.41%	54.84%-55.61%	47.73%-54.38%
Option life (years)	3.25	3.25	1.84-3.25
Early exercise level	2.80	2.20-2.80	2.20-2.80
Expected dividends	0.00%	0.00%	1.57%
Risk-free interest rate	2.24%	2.40%-2.53%	1.97%-2.31%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Changes in the subjective input assumptions could materially affect the fair value estimate.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Note	Paid-in Capital	Share capital	Share premium	Capital reserve	Other reserve	Share-based payment reserve	Statutory reserve	Shares held for the share-based incentive scheme	(Accumulated losses)/ retained profits	Total
		RMB'000 note 27(c)	*RMB'000 note 27(c)*	*RMB'000 note 27(d)(i)*	*RMB'000 note 27(d)(i)*	*RMB'000 note 27(d)(iv)*	*RMB'000 note 27(d)(ii)*	*RMB'000 note 27(d)(iii)*	*RMB'000 note 26*	*RMB'000*	*RMB'000*
At 1 January 2022		12,266	–	–	129,898	(45,000)	1,924	145	(327)	(16,633)	82,273
Loss for the year		–	–	–	–	–	–	–	–	(10,157)	(10,157)
Equity-settled share-based transactions	*26*	–	–	–	–	–	1,337	–	–	–	1,337
Shares vested under the share-based incentive scheme	*26&27(d)*	–	–	–	1,171	–	(1,171)	–	34	–	34
At 31 December 2022 and 1 January 2023		12,266	–	–	131,069	(45,000)	2,090	145	(293)	(26,790)	73,487
Profit for the year		–	–	–	–	–	–	–	–	22,837	22,837
Conversion into a joint stock company	*27(c)*	(12,266)	12,266	108,706	(131,069)	–	(2,369)	(145)	–	24,877	–
Equity-settled share-based transactions	*26*	–	–	–	–	–	1,419	–	–	–	1,419
Shares vested under the share-based incentive scheme	*26&27(d)*	–	–	726	–	–	(726)	–	34	–	34
Dividend declared	*27(b)*	–	–	–	–	–	–	–	–	(19,546)	(19,546)
At 31 December 2023 and 1 January 2024		–	12,266	109,432	–	(45,000)	414	–	(259)	1,378	78,231
Profit for the year		–	–	–	–	–	–	–	–	40,916	40,916
Equity-settled share-based transactions	*26*	–	–	–	–	–	3,139	–	–	–	3,139
Shares vested under the share-based incentive scheme	*26&27(d)*	–	–	1,418	–	–	(1,418)	–	32	–	32
Appropriation to statutory reserve	*27(d)(iii)*	–	–	–	–	–	–	3,531	–	(3,531)	–
At 31 December 2024		–	12,266	110,850	–	(45,000)	2,135	3,531	(227)	38,763	122,318

(b) Dividends

For the years ended 31 December 2022, 2023 and 2024, the Company approved dividends of nil, RMB19,546,000 and nil, respectively to its shareholders.

(c) Paid-in capital and share capital

	Note	**No. of ordinary shares issued and fully paid**	**Paid-in capital**	**Share capital**
		'000	*RMB'000*	*RMB'000*
At 1 January 2022 and 31 December 2022 and 1 January 2023		–	12,266	–
Issue of ordinary shares upon conversion into a joint stock limited liability company	*i*	613,325	(12,266)	12,266
At 31 December 2023 and 1 January 2024 and 31 December 2024		613,325	–	12,266

Note:

Pursuant to the shareholders' resolutions and agreements dated 30 August 2023, the shareholders of the Company agreed to convert the Company into a joint stock limited liability company. The net assets of the Company as of the conversion base date, which is 30 April 2023, including paid-in capital, capital reserve, share-based payment reserve, statutory reserve and accumulated losses were converted into 613,324,800 shares with par value of RMB0.02 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's share premium. Upon the completion of registration with the Company on 7 September 2023, the Company was converted into a joint stock limited liability company under PRC Company Law, and renamed from Guangzhou Meet Xiaomian Catering Management Co., Ltd. to Guangzhou Xiao Noodles Catering Management Co., Ltd..

(d) Nature and purpose of reserves

(i) Capital reserve and share premium

The capital reserve of the Group represents:

(i) the differences between the net considerations received and the nominal amount of paid-in capital issued by the Company before its conversion into a joint stock limited liability company in September 2023;

(ii) the grant date fair value of the share options issued to employees of the Group under the share-based incentive scheme which have been vested and exercised before its conversion into a joint stock limited liability company in September 2023.

The share premium of the Group represents:

(i) the difference between the net assets and total amount of the par value of share issued in relation to the conversion into a joint stock limited liability company as disclosed in note 27(c);

(ii) the grant date fair value of the share options issued to employees of the Group under the share-based incentive scheme which have been vested and exercised after its conversion into a joint stock limited liability company in September 2023.

(ii) Share-based payment reserve

The share-based payment reserve is for recognising the grant date fair value of options issued to employees of the Group under the share-based incentive scheme which are not yet vested or exercised in accordance with the accounting policy adopted for equity-settled share-based payments in note 2(q)(ii).

(iii) Statutory reserve

Pursuant to the Articles of Association of the Group's PRC companies and relevant statutory regulations, appropriations to the statutory reserve fund were made at 10% of profit after tax determined in accordance with accounting rules and regulations of the PRC until the reserve balance reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the PRC companies provided that the balance after such conversion is not less than 25% of their registered capital, and is non-distributable other than in liquidation.

(iv) Other reserve

Other reserve represents the initial carrying amount of the redemption liabilities, which is reclassified from equity as note 20(b) mentioned.

(v) Exchange reserve

The exchange reserve comprise all foreign exchange differences arising from the translation of the financial information of operations with functional currency other than RMB.

(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.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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.

(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, lease payment receivables and long-term 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 exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account (i) the landlords' credit rating and (ii) the remaining lease term and the period covered by the rental deposits.

The Group's trade receivables mainly due from the third party 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 years ended 31 December 2022, 2023 and 2024, and accordingly, no ECL allowance for trade receivables has been recognised at 31 December 2022, 2023 and 2024.

In determining the ECL for other receivables, lease payment receivables (excluding rental deposits) and long-term 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, lease payment receivables and long-term receivables have not had a significant increase in credit risk since initial recognition and risk of default is insignificant. The expected credit loss rate is minimal and therefore, no ECL allowance for other receivables, lease payment receivables and long-term receivables have been recognised at 31 December 2022, 2023 and 2024. The expected credit loss rate is minimal.

The Group does not provide any guarantee which would expose the Group to credit risk.

(b) Liquidity risk

As at 31 December 2022, 2023 and 2024, the Group had net current liabilities amounting to RMB148,565,000, RMB186,756,000 and RMB242,225,000, respectively. In management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The Group relies on the cash generated from operating activities as the main source of liquidity. For the years ended 31 December 2022, 2023 and 2024, the Group had net cash generated from operating activities of approximately RMB104,773,000, RMB245,126,000, RMB313,546,000, respectively. The directors believe that the Group will have sufficient funds available to meet their financial obligations in the foreseeable future.

The following tables show the remaining contractual maturities as at 31 December 2022, 2023 and 2024 of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current as at 31 December 2022, 2023 and 2024 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 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	50,904	–	–	–	50,904	50,904
Redemption liabilities	45,000	–	–	–	45,000	45,000
Bank loans	9,992	–	–	–	9,992	9,982
Lease liabilities	124,151	113,769	186,601	62,186	486,707	438,705
	230,047	113,769	186,601	62,186	592,603	544,591

	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 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	93,205	–	–	–	93,205	93,205
Redemption liabilities	45,000	–	–	–	45,000	45,000
Lease liabilities	162,441	155,967	259,496	57,927	635,831	576,552
	300,646	155,967	259,496	57,927	774,036	714,757

	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 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	110,351	–	–	–	110,351	110,351
Redemption liabilities	45,000	–	–	–	45,000	45,000
Bank loans	50,254	–	–	–	50,254	50,000
Lease liabilities	219,473	190,136	328,853	63,265	801,727	734,619
	425,078	190,136	328,853	63,265	1,007,332	939,970

(c) Interest rate risk

The Group's exposure to the interest rate risk is not significant since the Group does not hold any financial instrument of which the fair value or future cash flows will fluctuate due to changes in market 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.

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly dominated in Renminbi, which is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

As at 31 December 2022, 2023 and 2024, cash and cash equivalents situated in Chinese Mainland amounted to RMB36,519,000, RMB26,739,000 and RMB39,031,000. Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

(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 Group has a team headed by the finance manager performing valuations for the financial instruments, including structured deposits and financial assets measured at FVOCI which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer.

	Fair value at 31 December	Fair value measurements as at 31 December 2022 categorised into		
	2022	Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets measured at FVPL:				
– Unlisted structured deposits.	7,009	–	–	7,009

	Fair value at 31 December	Fair value measurements as at 31 December 2023 categorised into		
	2023	Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets measured at FVOCI:				
– Unlisted equity securities	50	–	–	50
Financial assets measured at FVPL:				
– Unlisted structured deposits	25,063	–	–	25,063

	Fair value at 31 December	Fair value measurements as at 31 December 2024 categorised into		
	2024	Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets measured at FVOCI:				
– Unlisted equity securities	50	–	–	50
Financial assets measured at FVPL:				
– Unlisted structured deposits	70,261	–	–	70,261

For the years ended 31 December 2022, 2023 and 2024, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Unlisted structured deposits	Discounted cash flow *(note)*	Discount rate

Note: The fair value of unlisted structured deposits is determined by discounting the estimated future cash flows at risk-adjusted rate, which is the benchmark interest rate plus the risk premium as at the end of each reporting period.

The following table indicates the instantaneous change in the Group's loss/profit after tax and accumulated losses/retained profits that would arise if fair value of unlisted structured deposits to which the Group has significant exposure at the end of the each reporting period had changed at that date, assuming all other risk variables remained constant.

2022		2023		2024	
Increase in fair value of unlisted structured deposits	Effect on loss after tax and accumulated losses	Increase in fair value of unlisted structured deposits	Effect on profit after tax and accumulated losses	Increase in fair value of unlisted structured deposits	Effect on profit after tax and retained profit
	RMB'000		*RMB'000*		*RMB'000*
5%	263	5%	940	5%	2,635
-5%	(263)	-5%	(940)	-5%	(2,635)

The movement during the year in the balance of Level 3 fair value measurements is as follows:

Unlisted structured deposits	At 31 December 2022	At 31 December 2023	At 31 December 2024
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	–	7,009	25,063
Payment for purchases of unlisted structured deposits	142,000	345,000	436,000
Disposals of unlisted structured deposits	(135,000)	(327,009)	(391,063)
Changes in fair value recognised in profit or loss during the year	9	63	261
At 31 December	7,009	25,063	70,261

Any gains or losses arising from the remeasurement of the Group's investment in unlisted structured deposits are recognised in the profit or loss.

Any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

(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 2022, 2023 and 2024.

29 COMMITMENTS

Capital commitments of the Group outstanding at 31 December 2022, 2023 and 2024 not provided for in the Historical Financial Information were as follows:

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Contracted for acquisition of property, plant and equipment	2,019	5,236	6,846

As at 31 December 2022, the Group has entered into new leases of four to eight years that are not yet commenced, the lease payments under which amounted ranging from RMB340,000 to RMB865,000 per annum over the lease terms.

As at 31 December 2023, the Group has entered into new leases of three to eleven years that are not yet commenced, the lease payments under which amounted ranging from RMB470,000 to RMB938,000 per annum over the lease terms.

As at 31 December 2024, the Group has entered into new leases of two to ten years that are not yet commenced, the lease payments under which amounted ranging from RMB79,000 to RMB911,000 per annum over the lease terms.

30 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere the Historical Financial Information, the Group entered into the following material related party transactions.

(a) Names and relationships of the related parties that had material transactions with the Group

For the years ended 31 December 2022 and 2023 and 2024, the directors are of the view that the following are related parties of the Group:

Name of party	Relationship with the Group
Huai'an Yujian Haoren (淮安市遇見好人企業管理合夥企業(有限合夥))*	Shareholder
Mr. Song	Chairman of our Board, executive director and ultimate controlling party
Mr. Su	Executive director
Ms. Luo Yanling ("Ms. Luo")	Key management personnel and close members of the family of the ultimate controlling party

* The official names of these entities are in Chinese. The English names are for identification purpose 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		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	2,475	3,395	3,713
Contributions to defined contribution retirement plan	32	33	38
Equity-settled share-based payment expenses	427	302	218
	2,934	3,730	3,969

Total remuneration is included in "staff costs" (see note 6(b)).

(c) Balance with related parties

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Dividends payable	–	394	–

The balance with the related party is unsecured, interest-free and have no fixed repayment terms.

(d) Guarantees from related parties

All of the bank loans as at 31 December 2022 and 2024 were guaranteed by Mr. Song, Mr. Su and Ms. Luo. These guarantees from related parties [will be] released on or before the [**REDACTED**].

31 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at the date of this report, the Directors consider the immediate parent of the Group to be Huai'an Chuangtao Enterprise Management Partnership (Limited Partnership), which is incorporated in the PRC, and the ultimate controlling party of the Company to be Mr. Song.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING YEAR BEGINNING ON 1 JANUARY 2024

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of new or amended standards, which are not yet effective for the year beginning on 1 January 2024 and which have not been adopted in the Historical Financial Information. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, The effects of changes in foreign exchange rates – Lack of exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7, *Contracts Referencing Nature-dependent Electricity*	1 January 2026
Amendments to IFRS 9 and IFRS 7, Amendments to the classification and measurement of financial instruments	1 January 2026
Annual improvements to IFRSs – Volume 11	1 January 2026
IFRS 18, Presentation and disclosure in financial statements	1 January 2027
IFRS 19, Subsidiaries without public accountability: disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint venture*	Note

Note: The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

33 SUBSEQUENT EVENTS

On 1 March 2025, the Company passed a board resolution and shareholders resolution to declare and paid a dividend of RMB14,727,000 to existing shareholders.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to [31 December 2024].

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this document, and is included herein for illustrative purposes only.

The unaudited **[REDACTED]** *financial information should be read in conjunction with the section headed "[Financial Information]" of this document and the Accountants' Report set forth in Appendix I to this document.*

A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited **[REDACTED]** statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the **[REDACTED]** on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as if the **[REDACTED]** had been completed on 31 December 2024.

The unaudited **[REDACTED]** statement of adjusted consolidated 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 financial position of the Group had the **[REDACTED]** been completed as at 31 December 2024 or at any future dates.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of 31 December 2024(1)	Estimated [REDACTED] from the [REDACTED](2)	Estimated impact to consolidated net tangible assets upon reclassification of redemption liabilities(3)	Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to equity shareholders of the Company	Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share(4)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$(5)*
Base on an **[REDACTED]** of **[REDACTED]** per H Share	113,625	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Base on an **[REDACTED]** of **[REDACTED]** per H Share	113,625	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 31 December 2024 is calculated based on the total equity attributable to equity shareholders of the Company of RMB117,777,000 and after deducting intangible assets of RMB4,152,000 as at 31 December 2024, as extracted from the Accountants' Report as set out in Appendix I in this document.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are based on the indicative [**REDACTED**] of [**REDACTED**] per H Share and [**REDACTED**] per H Share, being the lower end price and higher end price of the indicative [**REDACTED**] range respectively and [**REDACTED**] H Shares expected to be [**REDACTED**] under the [**REDACTED**], after deduction of the estimated [**REDACTED**] fees and other related expenses related to [**REDACTED**] (excluding [**REDACTED**] of approximately [**REDACTED**] which have been charged to profit or loss during the Track Record Period), and takes no account of any Shares which may be [**REDACTED**] upon the exercise of the [**REDACTED**]. The estimated [**REDACTED**] of the [**REDACTED**] have been converted to RMB at the exchange rate of HK$1.00 to RMB0.92342. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted into RMB, or vice versa, at that rate or at any other rates.

(3) As at 31 December 2024, the carrying amount of the redemption liabilities was RMB45,000,000, which was related to the redemption rights issued to an investor. Upon the completion of the [**REDACTED**], the redemption rights will automatically terminated, and the redemption liabilities will be reclassified from liabilities to equity accordingly.

(4) The unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is arrived at after the adjustments for the estimated [**REDACTED**] from the [**REDACTED**] as described above and on the basis that a total of [**REDACTED**] Shares (which is calculated based on [**REDACTED**] Shares issued at 31 December 2024 and adjusted for [**REDACTED**] Shares newly issued upon the [**REDACTED**], but excluding [**REDACTED**] unvested Shares held by the Company's employee incentive platform for the [**REDACTED**] Employee Incentive Scheme) were in issue immediately following completion of the [**REDACTED**] assuming that the [**REDACTED**] was completed on 31 December 2024, but takes no account of any Shares which may be [**REDACTED**] upon the exercise of the [**REDACTED**] or pursuant to the [**REDACTED**] Employee Incentive Scheme.

(5) The unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.92342. 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.

(6) No adjustment has been made to the unaudited [**REDACTED**] adjusted consolidated net tangible assets to reflect any [**REDACTED**] results or other transactions of the Group entered into subsequent to 31 December 2024, including but not limited to the dividends of RMB14,727,000 declared on 1 March 2025. Had such dividends been declared on 31 December 2024, the [**REDACTED**] adjusted consolidated net tangible assets would have decreased by approximately [**REDACTED**] and the [**REDACTED**] adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share would have decreased by approximately [**REDACTED**] (equivalent to [**REDACTED**]).

[**REDACTED**]

[REDACTED]

[**REDACTED**]

PRC TAXATION

Taxation of Security Holders

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective PRC laws and practices and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in H Shares. The discussion is based upon PRC laws and relevant interpretations in effect as of the date of this document, all of which are subject to change and may have retrospective effect. Prospective investors are urged to consult their financial adviser regarding the PRC and other tax consequences of owning and disposing of H Shares.

Taxation on dividends

Individual investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》, the "**IIT Law**"), which was last amended on August 31, 2018 by the NPC Standing Committee and came into effect on January 1, 2019, and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which were last amended on December 18, 2018 by the State Council and came into effect on January 1, 2019, dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. Unless otherwise provided by the competent financial and taxation authorities under the State Council, all the interest, dividend and bonus, obtained from enterprises, institutions, other organizations, and individual residents within China, are deemed as derived from the PRC whether the payment place is in the PRC. Pursuant to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (《關於個人所得稅若干政策問題的通知》) promulgated by the Ministry of Finance and the SAT on May 13, 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises. According to the Notice on Issues Concerning the Administration of Individual Income Tax Collection Following the Annulment of Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) issued on 28 June 2011 by the STA, as for the income from dividends and bonuses obtained by foreign resident individual shareholders from the shares issued in Hong Kong by domestic non-foreign invested enterprises, the individual income tax shall be withheld by withholding agents according to the item of "income from interest, dividends and bonuses". Where a domestic non-foreign invested enterprise issues shares in Hong Kong, its foreign resident individual shareholders can enjoy relevant tax incentives in accordance with tax treaties signed between their countries of residence and China as well as the provisions of tax arrangements between Mainland China and Hong Kong. A domestic non-foreign invested enterprise that issues shares in Hong Kong may, for the purpose of distributing dividends and bonuses, withhold individual income tax at the rate of 10% in general, and the application procedure is not required. For situations where the tax rate for dividend is not 10%, the following regulations shall apply: where an individual who has earned the dividends is the resident of a country with which the conventional tax rate is lower than 10%, such individual can apply for refund according to the Announcement of the STA on Issuing the Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits (Announcement No. 35, 2019 of the STA) (國家稅務總局關於發佈《非居民納稅人享受協定待遇管理辦法》的公告); where an individual who has earned the dividends is the resident of a country with which the conventional tax rate is higher than 10% and lower than 20%, the withholding agent shall withhold the individual income tax in accordance with the actual conventional tax rate when distributing dividends and bonuses, and the application procedure is not required; where an individual who has earned the dividends is the resident of a country which has not signed a tax treaty with China or is under other situations, the withholding agent shall withhold the individual income tax at the rate of 20% when distributing dividends and bonuses.

Enterprise investors

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, the "**EIT Law**"), which was latest amended by the SCNPC and implemented 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》) enacted on December 6, 2007 by the State Council and became effective on January 1, 2008, and lately amended on December 6, 2024, the corporate income tax shall be at the rate of 25%. But, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

Notice from the State Administration of Taxation on Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-Share Holders Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), which was issued and implemented by the STA on November 6, 2008, further clarifies that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (Guo Shui Han [2009] No. 394) (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》(國稅函[2009]394號)), which was issued by the STA and came into effect on July 24, 2009, further provides that any

PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or region, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》, the "**Arrangement**"), which was signed between the STA and the Hong Kong Government on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including resident individual and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC company unless a Hong Kong resident directly holds 25% or more of the equity interest in the PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 6, 2019, added a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the STA on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (Guo Shui Han [2009] No. 81) (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》(國稅函[2009]81號)).

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

Taxation on share transfer

Income Tax

Individual investor

According to the IIT Law and its implementation rules, the proceeds from the sale of equity interests in PRC-resident enterprise are subject to income tax at a tax rate of 20%.

According to the Notice Concerning Continuing Temporary Exemption from Individual Income Tax on The Income From Stocks Transfer (Cai Shui Zi [1998] No. 61) (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知 (財稅字[1998]61號)) promulgated by the STA and became effective on March 30, 1998, since January 1, 1997, the individual income tax levied on the individual income from transfer of stocks of listed companies will continue to be temporarily exempted. In the newly revised IIT Law, the STA did not clearly stipulate whether to continue to exempt individuals from tax on the income from transfer of stocks of listed companies.

Furthermore, the Notice of the State Administration of Taxation on Issues Concerning the Levy of Individual Income Tax on Incomes from the Transfer of Restricted Shares of Listed Companies (Cai Shui [2009] No. 167) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》(財稅[2009]167號)) jointly issued by the MOF, the STA and the CSRC which was implemented on December 31, 2009 stipulates that income derived by individuals from transfer of shares of listed companies issued to the public by the listed companies and transfer of shares of listed companies obtained from the market at the Shanghai Stock Exchange and Shenzhen Stock Exchange shall continue to be exempted from individual income tax, provided that it excludes the relevant restricted shares as defined in the Supplementary Notice of the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission on Issues Concerning the Levy of Individual' Income Tax on Incomes from the Transfer of Restricted Shares of Listed Companies (Cai Shui [2010] No. 70) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》(財稅[2010]70號)) jointly issued by these departments and implemented on November 10, 2010. As of the Latest Practicable Date, the aforementioned provisions did not specify whether to impose the individual income tax on the income from the transfer of shares of PRC-resident enterprise listed on overseas stock exchanges by non-PRC resident individuals.

Enterprise investors

In accordance with the EIT Law and its implementation rules, a non-resident enterprise that has not established an establishment or premises in the PRC or it has established an establishment and premises but the income received has no actual connection with the establishment and premises, it shall pay an enterprise income tax at a rate of 10% for the income arising within the PRC (including the income from sale of equity interests of PRC-resident enterprise). The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise on each payment or when it is payable on due date. The withholding tax may be reduced pursuant to applicable treaties or agreements on avoidance of double taxation.

Stamp Duty

In accordance with the Stamp Tax Law of the People's Republic of China (《中華人民共和國印花稅法》) promulgated by the Standing Committee of the NPC on June 10, 2021 and came into effect on July 1, 2022, entities and individuals that issue taxable certificates and conduct securities transactions within the territory of PRC, or entities and individuals who issue taxable certificates and conduct securities transactions outside the territory of PRC to be used within the territory of the PRC shall subject to stamp duty.

Estate Duty

As of the Latest Practicable Date, no estate duty was levied within the PRC.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), promulgated by the National People's Congress on March 16, 2007, came into effect on January 1, 2008 and last amended on December 29, 2018, as well as the Implementation Rules of the Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》), promulgated by the State Council on 6 December 2007, came into force on January 1, 2008 and amended on April 23, 2019, are the principal law and regulation governing enterprise income tax in the PRC. According to the EIT Law and its implementation rules, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. Non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such income are obtained outside the PRC but have an actual connection with the set-up institutions or sites. And non-resident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sources from the PRC.

Value-Added Tax

The major PRC Law governing value-added tax are the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) issued on December 13, 1993 by the State Council, came into effect on January 1, 1994, and last revised on November 19, 2017, as well as the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) issued on December 25, 1993 by the MOF, came into effect on the same day and last revised on October 28, 2011, any entities and individuals engaged in the sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovables and importation of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. Taxpayers of VAT shall pay VAT according to the tax rates of 0%, 6%, 11% and 17% for different goods sold and services provided. With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and the STA issued the Notice of on Adjusting VAT Rates (Cai Shui [2018] No. 32) (《關於調整增值稅稅率的通知》(財稅[2018]32號)) on April 4, 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, and this adjustment became effect on May 1, 2018. Subsequently, the MOF, the STA and the General Administration of Customs jointly issued the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) on March 20, 2019 to make a further adjustment, which came into effect on April 1, 2019. The tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

PRC FOREIGN EXCHANGE

SAFE, with the authorisation of the People's Bank of China (the "**PBOC**"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》, the "**Foreign Exchange Control Regulations**") which became effective on April 1, 1996. The Foreign Exchange Control Regulations classify all international payments and transfers into current items and capital items. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 5, 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that no restriction will be imposed on international current payments and transfers.

According to the Announcement on Improving the Reform of the Renminbi (the PBOC Announcement [2005] No. 16) (《關於完善人民幣匯率形成機制改革的公告》(中國人民銀行公告[2005]第16號)), issued by the PBOC on July 21, 2005 and became effective on the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies.

Additionally, the revised Foreign Exchange Control Regulations of the PRC (2008 version), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the regulations have adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; second, the regulations have improved the RMB exchange rate floating system based on market supply and demand under management; third, in the event that international balance of payment suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures against international balance of payment; fourth, the regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to SAFE to enhance its supervisory and administrative powers.

The Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (Guo Fa [2014] No. 50) (《關於取消和調整一批行政審批項目等事項的決定》(國發[2014]50號)) promulgated by the State Council and came into effect on October 23, 2014 provide to cancel the approval requirement of SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

Pursuant to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No. 54) (《國家外匯管理局關於境外上市外匯管理有關問題的通知》(匯發[2014]54號)) issued by SAFE and became effective on December 26, 2014, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the branch office of SAFE located at its registered address; the proceeds from an overseas listing of a domestic company may be repatriated to China or deposited overseas, provided that the intended use of the proceeds shall be consistent with the content of the document or other public disclosure documents.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (Hui Fa [2015] No. 13) (《關於進一步簡化和改進直接投資外匯管理政策的通知》(匯發[2015]13號)) promulgated by SAFE on February 13, 2015 and became effective on June 1, 2015, and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice on Reforming and Regulating the Policies for the Administration of Foreign Exchange Settlement under the Capital Accounts (Hui Fa [2016] No. 16) (《關於改革和規範資本項目結匯管理政策的通知》 (匯發[2016]16號)) which was promulgated by SAFE and became effective on June 9, 2016, and amended on December 4, 2023, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of SAFE in due time in accordance with international revenue and expenditure situations.

According to the Notice on Optimising Administration of Foreign Exchange to Support the Development of Foreign-related Business (Hui Fa [2020] No. 8) (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》(匯發[2020]8號)) issued by SAFE and became effective on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, without providing materials to the bank in advance for authenticity verification on an item-by-item basis, provided that their utilised capital shall be authentic and in line with provisions, and conform to the prevailing administrative regulations related to the use of income under capital accounts. The concerned bank shall manage and control the relevant business risks under the principle of prudent business development and conduct spot checks afterwards in accordance with the relevant requirements. Local foreign exchange authorities shall strengthen monitoring and analysis and interim and ex-post supervision.

On October 23, 2019, the SAFE issued the Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (Hui Fa [2019] No. 28), which, among other things, allows all foreign investment enterprises to use Renminbi converted from foreign currency denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment.

This appendix contains a summary of laws and regulations on companies and securities in the PRC. The principal objective is to provide an overview of the principal laws and regulations applicable to us. Laws and regulations relating to taxation in the PRC are discussed in "Appendix III — Taxation and Foreign Exchange". For the discussion of laws and regulations specifically governing the business of the Company, please see the section headed "Regulatory Overview".

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》, the "**Constitution**"), which was adopted on December 4, 1982 and respectively amended on April 12, 1988, March 29, 1993, March 15, 1999, March 14, 2004 and March 11, 2018. The PRC legal system is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress (the "**NPC**") and the SCNPC are empowered to exercise the legislative power of the State in accordance with the Constitution and the PRC Legislation Law (《中華人民共和國立法法》, the "**Legislation Law**"), which was adopted on July 1, 2000 and amended on March 15, 2015 and March 13, 2023. The NPC has the power to formulate and amend basic laws governing state organs, civil, criminal and other matters. The SCNPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the matters concerning formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, PBOC, National Audit Office, the subordinate institutions with administrative functions directly under the State Council and the institutions required by the law may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) implemented on June 10, 1981, the Supreme People's Court of the PRC has the power to give interpretation on issues related to the application of laws in a court trial, and issues related to the application of laws in a prosecution process of a procuratorate should be interpreted by the Supreme People's Procuratorate. If there is any disagreement in principle between Supreme People's Court's interpretations and Supreme People's Procuratorate's interpretations, such issues shall be reported to the SCNPC for interpretation or judgment. The other issues related to laws other than the abovementioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

THE PRC JUDICIAL SYSTEM

Under the Constitution and the Law of Organization of the People's Courts of the PRC (《中華人民共和國人民法院組織法》), which is adopted on January 1, 1980 and respectively amended on September 2, 1983, December 2, 1986, October 31, 2006 and October 26, 2018, the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The Supreme People's Court can establish circuit courts to decide cases designated by the Supreme People's Court in accordance with laws. Circuit courts are part of the Supreme People's Court. Judgments, rulings, and decisions made by the circuit courts are deemed judgments, rulings and decisions of the Supreme People's Court. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other special divisions if needed. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels and special people's courts.

A people's court takes the rule of the second instance as the final rule. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the chief judge of all levels of people's courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》, the "**Civil Procedure Law**") adopted on April 9, 1991 and respectively amended on October 28, 2007, August 31, 2012, June 27, 2017, December 24, 2021 and September 1, 2023, prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the Civil Procedure Law. Generally, a civil case is initially heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places substantially connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located, provided that the provisions regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment on the party.

Where a party applies for enforcement of a judgment or ruling made by a people's court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling, or a people's court may apply to a foreign court with jurisdiction or recognition in accordance with the international treaties that China has concluded or acceded to or on a reciprocal basis. A foreign judgment or ruling may also be recognized and enforced by the people's court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, international treaties with the relevant foreign country, which provided for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or against the social and public interests.

THE PRC COMPANY LAW, TRIAL ADMINISTRATIVE MEASURES OF OVERSEAS SECURITIES OFFERING AND LISTING BY DOMESTIC COMPANIES AND THE GUIDELINES FOR THE ARTICLES OF ASSOCIATION OF LISTED COMPANIES

The PRC Company Law (《中華人民共和國公司法》) was adopted by the 5th meeting of the Standing Committee of the 8th National People's Congress Session on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023 respectively. The latest revised PRC Company Law was implemented on July 1, 2024.

On February 17, 2023, with the approval of the State Council, the CSRC promulgated the Overseas Listing Trial Measures and relevant five guidelines, which came into force on March 31, 2023. The Overseas Listing Trial Measures are designated in accordance with the Securities Law and other laws and are applicable to domestic enterprises that issue securities overseas or list their securities for trading. On February 17, 2023, CSRC promulgated the Guidelines for the Applications of Regulatory Rules — Overseas Issuance and Listing Category No. 1, stipulating that direct issuance and listing by domestic companies shall abide by the relevant provisions of the Overseas Listing Trial Measures and refer to the Guidelines for Articles of Association of Listed Companies and other relevant provisions of CSRC on corporate governance to formulate its articles of association and standardize corporate governance.

Set out below is a summary of the major provisions of the PRC Company Law, the Overseas Listing Trial Measures and Guidelines for Articles of Association of Listed Companies.

General Provisions

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable for its debts with all its property.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Where any laws stipulate that a company cannot be the capital contributor who has the joint liabilities associated with the debts of the invested enterprises, such requirements shall prevail.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers holding more than half of the voting rights. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the Supervisory Committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority.

A joint stock limited company's promoters shall be liable for:

- the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated;
- the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and
- damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, all the promoters or the Directors and the [**REDACTED**] are required to sign on the document to ensure that the document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share Capital

The promoters of a company may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation and verification of the fair value of the assets contributed must be carried out.

Allocation and issuance of shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. Shares may be offered at a price equal to or greater than, but not less than, par value.

The domestic enterprises that engage in the overseas issuance and listing of securities shall, in accordance with the Overseas Listing Trial Measures, submit to the CSRC a filing report, legal opinions and other relevant materials that truly, accurately and completely describe shareholder information and other circumstances for the record. In case of the direct overseas issuance and listing of domestic enterprises, the issuer shall report the matter to the CSRC for the record. In case of the indirect Overseas Issuance and Listing of domestic enterprises, the issuer shall designate a major domestic operating entity as the domestic responsible person to report the matter to the CSRC for the record.

Registered shares

Under the Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the class and number of shares held by each shareholder;
- in case of shares issued in paper form, the serial numbers of share certificates; and
- the date on which each shareholder acquired the shares.

Increase in Share Capital

According to the Company Law, if a joint stock limited company issues new shares, the general meeting shall pass a resolution on the class and amount of new shares, the issuance price of the new shares, the commencement and termination dates of the issuance of the new shares and the class and amount of new shares to be issued to existing shareholders. When a company is approved by the securities supervision and administration department under the State Council to issue new shares to the public, it shall publish the document, its financial and accounting statements, and shall prepare the subscription form. Upon full receipt of the proceeds from the company's newly issued shares, the company shall carry out alteration registration with the company registration authority and shall make a public announcement.

After the issue of new shares the company has been paid up, the change must be registered with the company registration authorities and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

Reduction of Share Capital

When a company needs to reduce its registered capital, it shall prepare a statement of financial position and a property list. The company shall inform its creditors within 10 days and publish an announcement in the newspaper within 30 days after the resolution of the shareholders' meeting approving the reduction of registered capital has been passed. Creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts.

Repurchase of Shares

According to the Company Law, a joint stock limited company may not repurchase its own shares other than for one of the following purposes:

(i) to reduce its registered capital;

(ii) to merge with another company that holds its shares;

(iii) to grant its shares to its employees for the purpose of implementing the employee stock ownership plan or share incentive scheme;

(iv) to repurchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at the general meeting;

(v) to use for the conversion of the convertible corporate bonds issued by the listed company; and

(vi) to protect the value of the company and the rights and interests of shareholders of the listed company as required.

The acquisition of shares on the grounds set out in (i) to (ii) above shall be approved by the resolution of general meeting. The repurchase of its shares in cases (iii), (v) or (vi) above shall require a resolution of the board of directors by two-thirds of the directors present at the board meeting, in accordance with the provisions of the articles of association of the company or as authorized by the general meeting.

Following the repurchase of its shares in accordance with (i) above, such shares shall be canceled within 10 days from the date of repurchase; the shares repurchased in the case of (ii) or (iv) above shall be transferred or canceled within six months. The total number of shares held by the company after share repurchase under the circumstances in (iii), (v) or (vi) above shall not exceed 10% of the total number of the company's issued shares, and shall be transferred or canceled within three years.

A listed company that repurchases its own shares shall fulfill its disclosure obligations in accordance with the provisions of the Securities Law. If a share repurchase is made pursuant to (iii), (v) or (vi) above, it shall be publicly traded in a centralized manner.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

Under the Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited Company's listing on a stock exchange. Directors, supervisors and senior officers shall declare to the company their shareholdings in the Company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the Company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the Company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the Company.

Shareholders

Under the Company Law and the Articles of Association Guidelines, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend general meetings and to vote thereat;

- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;

- the right to inspect the Company's articles of association, share register, counterfoil of Company debentures, minutes of general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the Supervisory Committee and financial and accounting reports and to make proposals or enquiries on the Company's operations;

- the right to bring an action in the people's court to rescind resolutions passed by general meetings and board of directors where the articles of association is violated by the above resolutions;

- the right to receive dividends and other forms of profit distribution according to the proportion of shares they hold;

- in the event of the termination or liquidation of the Company, the right to participate in the distribution of the residual properties of the Company in proportion to the number of shares held; and

- other rights granted by laws, administrative regulations, other regulatory documents and the Company's articles of association.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the Company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the Company's articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law. Under the Company Law, the general meeting exercises the following powers and functions:

- to elect or replace the directors and supervisors (other than the supervisor representative of the employees) and to decide on matters relating to the remuneration of directors and supervisors;

- to review and approve reports of the Board;

- to review and approve reports of the Supervisory Committee;

- to review and approve annual financial budgets and final accounts;

- to review and approve profit distribution plans and loss recovery plans;
- to make resolutions concerning the increase or reduction of the registered capital;
- to resolve on the issue and listing of corporate bonds and other securities;
- to decide on issues such as merger, division, dissolution, liquidation and structure change;
- to modify the articles of association; and
- other powers and functions stipulated by the articles of association.

The annual general meeting is required to be convened once a year. Under the Company Law, an extraordinary general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- shareholders alone or in aggregate holding 10% or more of the Company's shares request for the convening of an extraordinary general meeting;
- the Board considers it necessary;
- the Supervisory Committee proposes to hold; or
- other circumstances stipulated by the articles of association.

Under the Company Law, general meetings shall be convened by the Board, and presided over by the chairman of the Board. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or does not perform his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the Board of Directors is incapable of performing or does not perform its duties of convening the general meetings, the supervisory committee shall convene and preside over such meetings in a timely manner. In case the supervisory committee fails to convene and preside over such meetings, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meetings.

Under the Company Law, notice of general meetings shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. According to the Articles of Association Guidelines, after the notice of the General Meeting is given, without cogent reason, the general meeting shall not be postponed or canceled, and the proposals set out in the notice shall not be canceled. Once the general meeting is adjourned or canceled, the convener shall make public announcement and explain the reasons at least 2 working days before the original holding date.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in Shareholders' meetings. According to the Articles of Association Guidelines, The board of directors and the board secretary shall cooperate for the general meeting convened by the Supervisory Committee or the Shareholders on their own. When the general meeting is held, all the directors, supervisors and board secretary of the company shall attend the meeting, while the general manager and other senior officers shall attend as a nonvoting delegate.

According to the Articles of Association Guidelines, the shareholders holding more than 1% of the shares of the Company separately or jointly may raise temporary proposal and submit it to the convener in writing 10 days before the general meeting is held. The convener shall supplement the notice of general meeting in 2 days after receiving the proposal and publicize the content of the temporary proposal.

Under the Company Law, shareholders present at general meetings have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the general meetings and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law and the Articles of Association Guidelines, resolutions of the general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the equity incentive plans; (iv) the amount of purchase or disposal of major assets or guarantee of the company within one year exceeding thirty percent of the company's total audited assets for the most recent period; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution, according to the laws, administrative regulations or the articles of association.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the general meetings. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

Under the Company Law, a joint stock limited company shall have a board of directors. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of the directors shall be prescribed by the articles of association, provided that each term may not exceed 3 years. Upon the expiration of the term, the Directors may be re-elected and serve consecutive terms. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors mainly exercises the following powers and functions:

- to convene the general meetings and report on its work to the general meetings;
- to implement the resolutions of general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the profit distribution plan and loss recovery plan of the Company;
- to formulate proposals for the increase or reduction of the Company's registered capital and the issuance of corporate bonds;
- to develop the scheme on the merger, separation, dissolution and change of company form of the Company;
- to formulate the basic management system of the Company; and
- any other powers and functions stipulated by the articles of association.

Board Meetings

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisory committee. The chairman of the board shall convene and preside over a board meeting within ten days after receiving the proposal. Aboard meeting not be held unless half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. In the voting process, one director shall represent one vote. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Board Chairman

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualifications of Directors

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence, in case of a suspended sentence, not more than two years have elapsed since the date of expiry of the probationary period;

- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation or the order for closure; or

- being listed as a dishonest person subject to enforcement by the people's court due to his/her failure to pay off a relatively large amount of debts which has fall due.

Other unsuitable circumstances for directorships are detailed in the Articles of Association Guidelines.

Supervisory Committee

A joint stock limited company shall have a supervisory committee, unless otherwise provided for in paragraph 1 of Article 121 and Article 133 of the Company Law. The supervisory committee shall have not less than three members. The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the supervisory committee shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise. A director and a senior officer of the company shall not serve concurrently as a supervisor.

The supervisory committee shall have a chairman and may have a vice chairman. The chairman and deputy chairman of the supervisory committee shall be elected by more than half of all supervisors. The chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the chairman of the supervisory committee is unable or fails to perform his/her duties, the vice chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the vice chairman is unable or fails to perform his/her duties, the meetings shall be convened and presided over by a supervisor jointly nominated by more than half of all the supervisors.

Each term of a supervisor shall be three years, and a supervisor may continue to serve his post if he is re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory committee shall convene a meeting at least every six months. According to the Company Law, the supervisory committee shall make resolutions with the consent of a majority of all supervisors.

The supervisory committee exercises the following functions and power:

- to review the financial position;
- to supervise the directors and senior officers in the performance of their duties and to propose the removal of directors or senior officers who violate laws, regulations, the articles of association or resolutions of the general meeting;
- when the acts of directors and senior officers are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary general meetings and to convene and preside over general meetings when the board of directors fails to perform the duty of convening and presiding over general meetings under the law;
- to initiate proposals for resolutions to general meetings;
- to initiate proceedings against directors and senior officers;
- other powers and functions stipulated by the articles of association; and
- The supervisors may attend the meetings of the board, and may inquire about or put forth proposals on matters covered by resolutions of the board. The supervisory committee may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Officers

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall be responsible to the board of directors and shall exercise his duties and powers in accordance with the provisions of the company's articles of association or the authorization of the board of directors:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;
- to formulate the general administration system of the company;

- to formulate the specific rules of the company;
- to recommend the appointment and dismissal of deputy managers and person in charge of finance;
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings.

According to the Company Law, senior officers shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of the Directors, Supervisors and Senior Officers

Directors, supervisors and senior officers of the Company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and shall owe a duty of loyalty to the company, shall take measures to avoid conflicts between their own interests and the interests of the company, and shall not make use of their positions to gain undue advantage. They shall also owe a duty of diligence to the company and shall perform their duties with the reasonable care normally expected of a manager in the best interests of the company. Furthermore, directors and senior officers are prohibited from:

- embezzlement of company properties and misappropriating the funds of the company;
- depositing the company funds into accounts under his own name or the name of other individuals;
- utilising power to accept bribe or accept other illegal income;
- accepting and possessing commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the Company; or
- other acts in violation of the duty of loyalty to the company.

A director, supervisor or senior officer who contravenes any law, regulation or the Company's articles of association in the performance of his duties and result in any loss to the Company shall be personally liable to the Company.

Finance and Accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. The Company shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The Company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the Company Law, the Company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the Company for inspection by the shareholders at least 20 days before the convening annual general meeting. The joint stock limited company that has publicly issued its shares shall also publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After making allocation to the statutory common reserve fund of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a Shareholders' meeting, allocate funds from the after-tax profits to the discretionary common reserve fund.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association. Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value, the amount of proceeds from the issuance of no-par value shares not included in the registered capital and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The Company's reserve fund shall be applied to make up losses of the Company, expand its business operations or be converted to increase the registered capital of the company. When utilising reserve funds to make up for a company's losses, the discretionary reserve fund and statutory reserve fund should be used first; if the losses still cannot be made up, the capital reserve fund may be used in accordance with regulations. Upon the conversion of statutory common reserve fund for increasing registered capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Employment and Retirement of Accounting Firms

According to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of a company shall be determined by the general meeting, board of directors or supervisory committee in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting, board of directors or supervisory committee conducts a vote on the dismissal of the accounting firm. The company shall provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the hired accounting firm, and shall not refuse, conceal or make false reports.

The audit fee of an accounting firm shall be decided by the general meeting.

Profit Distribution

According to the Company Law, the Company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Revision of the Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In the event of a company registration, the amendments to the articles of association shall be registered with the relevant registration authorities.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved by reason of the following:

(i) the term of its operations set down in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred; (ii) the general meeting has resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent at least 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses to shareholders.

The company shall, within ten days of the occurrence of the reasons for dissolution as stipulated in the preceding paragraph, make public the reasons for dissolution through the National Enterprise Credit Information Publicity System. In the event of (i) and (ii) above and in case that no assets have been distributed to shareholders, the company may carry on its existence by amending its articles of association or by a resolution of shareholders' meeting. The amendment of the articles of association or the resolution of a shareholders' meeting in accordance with provisions set out above shall require approval of at least two thirds of voting rights of shareholders attending the general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, the liquidation shall be carried out. Directors shall be the liquidation obligors, and a liquidation committee shall be established within 15 days of the date on which the dissolution matter occurs.

The members of the company's liquidation committee shall be composed of its directors, unless the company's articles of association provide otherwise or the shareholders' meeting resolves to elect someone else. If the liquidation obligor fails to fulfil its liquidation obligations in a timely manner and causes losses to the company or creditors, it shall be liable for compensation. If a liquidation committee is not established within the stipulated period, or if the liquidation is not carried out after the establishment of the liquidation committee, the interested parties may apply to the people's court and request the court to appoint relevant personnel to form the liquidation committee. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee shall exercise the following functions and power during liquidation:

- to liquidate the company's assets and to prepare a balance sheet and an inventory of the assets;

- to notify creditors through notice or public announcement;

- to deal with the outstanding business of the Company in connection with liquidation;
- to settle all outstanding tax payment and the tax payment which arise in the course of the liquidation process;
- to claim credits and pay off debts;
- to distribute the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation committee shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers or on the National Enterprise Credit Information Publicity System within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he/she did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his/her claim and furnish evidence. The liquidation committee shall register such claims. The liquidation committee shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan to be submitted to the general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following the acceptance of application for bankruptcy by the people's court, the liquidation committee shall hand over all matters relating to the liquidation to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration.

When performing the duties in relation to the liquidation, members of the liquidation committee shall bear the duties of loyalty and diligence. If members of the liquidation committee are reluctant in performing their liquidation duties and cause losses to the company, they shall be liable for compensation; members of the liquidation committee who have caused the creditors to suffer from any loss due to intentional fault or gross negligence, should be liable for making compensations to the company or its creditors. In addition, liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

According to the Overseas Listing Trial Measures, overseas listing of a company shall be filed with CSRC. Where an issuer conducts an overseas initial public offering or listing, it shall file with CSRC within 3 working days after submitting the issuance and listing application documents overseas. The remittance and cross-border flow of funds related to overseas issuance and listing of domestic enterprises shall comply with national regulations on cross-border investment and financing, foreign exchange management and cross border RMB management.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Merger and Division

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective statements of financial position and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers or on the National Enterprise Credit Information Publicity System within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a statement of financial position and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers or on the National Enterprise Credit Information Publicity System within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

In accordance with the laws, cancelation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

THE PRC SECURITIES LAWS AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law of the PRC (《中華人民共和國證券法》, the "**PRC Securities Law**") took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The PRC Securities Law, which was revised on December 28, 2019 and came into effect on March 1, 2020, is divided into 14 chapters and 226 articles, regulating, among other things, the issue and trading of securities, the listing of securities, and takeovers by listed companies.

Article 224 of the PRC Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》, the "**PRC Arbitration Law**") was enacted by the SCNPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017, respectively. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law.

The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement is invalid.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. The people's court can issue a ruling prohibiting the enforcement of an arbitral award made by an arbitration commission after verification by collegial bench formed by the people's court if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》, the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution passed by the SCNPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including but without limitation to where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the SCNPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) on June 18, 1999, which went into effect on February 1, 2000. The arrangement reflects the spirit of the New York Convention. Under the arrangements, the courts of the Hong Kong SAR have agreed to enforce arbitration awards made by mainland Chinese arbitration organisations in accordance with the Arbitration Law of the People's Republic of China, and people's courts of mainland China have agreed to enforce arbitration awards made in the Hong Kong SAR in accordance with the Arbitration Ordinate of the Hong Kong SAR. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the mainland will be against public interests of the mainland, or the court of Hong Kong SAR decides that the enforcement of the arbitral awards made by mainland Chinese arbitration organisations in Hong Kong SAR will be against public policies of Hong Kong SAR, the awards may not be enforced. The Supreme People's Court of China adopted the Supplementary Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and Hong Kong SAR (《關於內地與香港特別行政區相互執行仲裁裁決的補充安排》, the "**Supplemental Arrangement**") on November 11, 2020. The Supplemental Arrangement mainly provide additional provisions to the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong SAR (《關於內地與香港特別行政區相互執行仲裁裁決的安排》). Articles 1 and 4 of the Supplemental Arrangement shall come into effect on November 27, 2020, while Articles 2 and 3 shall come into effect on a date to be announced by the Supreme People's Court.

Judicial Judgment and its Enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the mainland China and of the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) promulgated by the Supreme People's Court on January 25, 2024 and implemented on January 29, 2024, in the case of effective judgment of a civil and commercial case or civil damages in a criminal case made by the court of China and the court of the Hong Kong Special Administrative Region, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement.

This appendix contains a summary of the main provisions of the Articles of Association of the Company adopted on April 2, 2025 which will take effect from the [**REDACTED**] of H shares on the Hong Kong Stock Exchange. The main purpose of this appendix is to provide potential [**REDACTED**] with an overview of the Articles of Association of the Company, so it may not contain all the information that is important to potential [**REDACTED**].

SHARES AND REGISTERED CAPITAL

The total number of shares at the time of incorporation was 613,324,800 and the capital structure of the Company was: 613,324,800 ordinary shares and no other classes of shares.

The shares of the Company shall be issued in the form of share certificates.

The Company shall issue shares in an open, fair and just manner, and each share of the same.

Shares of the same class issued at the same time shall be issued under the same conditions and at the same price per share; subscribers shall pay the same price per share for the shares they subscribe for.

When the Company issues new shares, the Company's shareholders registered on the share register date of the shareholders' meeting approving the issuance of new shares do not have pre-emptive rights, unless such shareholders' meeting has expressly made a pre-emptive subscription arrangement in compliance with the applicable laws and regulations and the provisions of the rules of the securities supervision and regulation of the place where the Company's shares are [**REDACTED**].

Where the Board of Directors is authorised by the Company's Articles of Association or the shareholders' meeting to decide on the issuance of new shares, the resolution of the Board of Directors shall be passed by at least two-thirds of all directors.

INCREASE AND REDUCTION OF CAPITAL AND REPURCHASE OF SHARES

(1) Increase of Capital

The Company may, based on its business and development needs and in accordance with the laws and regulations, increase its capital in the following manners upon resolutions being adopted by the general meetings:

(i) public offering of shares;

(ii) non-public offering of shares;

(iii) distributing bonus shares to its existing shareholders;

(iv) conversion of capital reserve to share capital;

(v) other means required by the laws, administrative regulations and approved by CSRC and SEHK.

(2) Reduction of Capital

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the procedures stipulated in the Company Law, other relevant regulations of the PRC, the Listing Rules, other securities regulatory rules of the place where the Company's shares are [**REDACTED**] and the Articles of Association.

The Company shall notify its creditors within 10 days from the date on which the resolution of the shareholders' general meeting on reduction of registered capital is passed and make an announcement on the newspaper or on the information publicity media Company designates within 30 days. The creditors shall have the right to require the Company to repay the debts or to provide the corresponding guarantee within 30 days from the receipt of notification or within 45 days from the date of announcement if they do not receive notification.

The reduced registered capital of the Company shall not be less than the statutory minimum threshold.

(3) Repurchase of Shares

The Company shall not repurchase its own shares, except in one of the following circumstances:

(i) to reduce the registered capital of the Company;

(ii) to merge with other companies which hold the shares of the Company;

(iii) to utilize its shares in employee stock ownership plans or share incentive;

(iv) where the shareholders, who disagree with the resolution in relation to merger or division of the Company made at the general meeting, require the Company to repurchase the shares held by such shareholders;

(v) to use the shares for conversion of corporate bonds issued by the Company which are convertible into shares;

(vi) to safeguard the value of the Company and the interests of the shareholders when necessary;

(vii) any other circumstances permitted by the laws, administrative regulations, securities regulatory rules of the place where the Company's shares are [**REDACTED**].

The Company may repurchase its shares by open centralized transaction method or other method approved by laws, administrative regulations, the Listing Rules and the CSRC as well as the securities regulatory authorities of the place where the shares of the Company are [**REDACTED**].

When the Company repurchases its own shares under any of the circumstances specified in item (i) or (ii) mentioned above, a resolution adopted by shareholders' general meeting is required. Where the Company repurchases its own shares pursuant to the provisions of items (iii), (v) and (vi), it shall be resolved by a resolution of a meeting of Board of Director attended by more than two-thirds of the directors in accordance with the provisions of the Company's Articles of Association or the authorization of the shareholders' general meeting.

In the event that the Company repurchases its shares under the circumstances set out in item (i) thereof, the shares shall be cancelled within 10 days after the date of repurchase; where it falls under the circumstances set out in item (ii) or (iv) thereof, the shares shall be transferred or cancelled within 6 months, where it falls under the circumstances set out in items (iii), (v) and (vi) thereof, the total number of shares of the Company held by the Company shall not exceed 10% of the total number of shares issued by the Company and shall be transferred or cancelled within three years. Where laws, regulations or the securities regulatory authority at the place where the Company's stocks are [**REDACTED**] have other provisions on the relevant matters related to the aforementioned share repurchase, subject to compliance with the requirements of the Listing Rules and other securities regulatory rules of the place where the Company's shares are [**REDACTED**], such provisions shall prevail.

TRANSFER OF SHARES

The shares of the Company issued before [**REDACTED**] shall not be transferred for one year from the date on which the Company's shares are [**REDACTED**] and [**REDACTED**] on a stock exchange.

The Directors, Supervisors and senior officers of the Company shall report to the Company their shareholdings and changes thereof and shall not transfer more than 25% of the total number of their shares of the same class in the Company per annum during their terms of office as determined when they take office. The shares of the Company they hold shall not be transferred within one year from the date when the Company's shares are [**REDACTED**] and [**REDACTED**] on the stock exchange. The aforesaid persons shall not transfer their shares in the Company within half a year after they terminate service with the Company.

If there are other provisions on the transfer restrictions of overseas [**REDACTED**] shares in the Listing Rules or the relevant regulations of the securities regulatory authority in the place where the Company's stocks are [**REDACTED**], such provisions shall prevail.

FINANCIAL ASSISTANCE FOR THE PURCHASE OF THE SHARES OF THE COMPANY

The Company or its subsidiaries (including the subsidiary enterprises of the Company) shall not, by any means of gifts, advances, guarantees, compensation, or loans, provide any financial assistance to purchasers or potential purchasers of the Company's shares, except for the Company's implementation of the employee stock ownership plan.

SHARE CERTIFICATES AND REGISTER OF SHAREHOLDERS

(1) Share Certificates

The Company's shares take the form of share certificates.

The share certificates issued by the Company have a nominal value in RMB, with each share having a nominal value of RMB0.02.

(2) Register of Members

The Company shall establish a register of members in accordance with certificates from the share registrar. The register of members is sufficient evidence of the shareholders' shareholdings in the Company. A shareholder shall enjoy the relevant rights and assume the relevant obligations in accordance with the class of shares he/she holds. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

In respect of the register of shareholders of overseas-[**REDACTED**] H shares, the original register of members of shares [**REDACTED**] in the Hong Kong Stock Exchange shall be maintained in Hong Kong.

RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

The shareholders of the Company shall enjoy the following rights:

(i) the right to receive dividends and other distributions in proportion to their shareholdings;

(ii) the right to request, convene, preside over, attend or appoint a proxy to attend general meetings and to exercise the voting rights in accordance with the law;

(iii) the right to supervise the Company's business operations, to present proposals and to raise enquiries;

(iv) the right to transfer, give as a gift or pledge shares held by them in accordance with laws, administrative regulations and the Articles of Association;

(v) the right to inspect and duplicate the Articles of Association, the register of members, minutes of general meetings, resolutions of Board meetings, resolutions of Board of Supervisors and financial accounting reports, shareholders that meet the requirements could inspect the accounting documents and accounting books;

(vi) in the event of the termination or liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in proportion to the shareholdings;

(vii) for shareholders who vote against any resolution adopted at the general meeting on the merger or division of the Company, the right to demand the Company to buy back their shares; and

(viii) other rights under laws, administrative regulations, departmental rules, normative documents, listing rules of the places where the shares of the Company are [**REDACTED**] and the Articles of Association.

RESTRICTIONS ON THE RIGHTS OF CONTROLLING SHAREHOLDER

Controlling shareholders and de facto controllers of the Company who do not serve as directors but who actually carry out the affairs of the Company shall have a duty of loyalty to the Company and shall take measures to avoid conflicts between their own interests and the interests of the Company and shall not make use of their powers to gain undue advantage; they shall have a duty of diligence to the Company, and they shall carry out their duties in the best interests of the Company to the extent of the reasonable care that is normally required of managers.

The controlling shareholder and the de facto controller of the Company shall have an obligation of fiduciary to the Company and the shareholders of the Company's public shares. The controlling shareholder shall exercise their rights as capital contributors in strict accordance with the law. The controlling shareholder shall not use profit distribution, asset restructuring, external investment, capital occupation or loan guarantee to undermine the legitimate rights and interests of the Company and the shareholders of public shares, and shall not use their control position to undermine the interests of the Company and the shareholders of public shares.

GENERAL MEETINGS

(1) General Provisions for Convening General Meetings

The general meeting shall be the authority of power of the Company and shall exercise the following functions and powers in accordance with laws:

(i) to elect and change Directors and Supervisors who are not employees' representatives, and decide on the remunerations of Directors and Supervisors;

(ii) to consider and approve reports of the Board;

(iii) to consider and approve reports of the Supervisory Committee;

(iv) to consider and approve the Company's profit distribution plans and loss recovery plans;

(v) to resolve on the increase or reduction of the registered capital of the Company;

(vi) to resolve on the issuance of corporate bonds;

(vii) to resolve on the merger, division, dissolution, liquidation or change in the form of the Company;

(viii) to amend the Articles of Association;

(ix) to resolve on the Company's appointment or dismissal of accounting firms that undertake the Company's audit business;

(x) to consider and approve the guarantees which shall be approved at the general meeting;

(xi) to consider the purchase or sale of significant assets by the Company within one year that exceed 30% of the Company's latest audited total assets;

(xii) to consider and approve the change of use of proceeds;

(xiii) to consider share incentive schemes and employee stock ownership plans;

(xiv) to consider any transaction where any one of the applicable percentage ratios calculated in accordance with the provisions of Rule 14.07 of the Listing Rules regarding percentage ratios reaches twenty-five percent (25%) or more (including one-off transactions and a series of transactions for which the percentage ratios need to be calculated on a combined basis, but excluding any transactions that are exempt from shareholder approval under the Listing Rules or approved by the HKEX for such exemption), or any connected transaction where any one of the applicable percentage ratios reaches five percent (5%) or more (including one-off transactions and a series of transactions for which the percentage ratios need to be calculated on a combined basis, but excluding any connected transaction that is exempt from the approval of independent shareholders under the Listing Rules or approved by the HKEX for such exemption);

(xv) to consider other matters which shall be resolved at the general meeting in accordance with laws, administrative regulations, departmental rules, Listing Rules and relevant requirements of securities regulatory authorities of the places where the shares of the Company are [**REDACTED**] or the Articles of Association.

General meetings consist of annual general meetings and extraordinary general meetings. The annual general meeting shall be held once a year within six months after the end of the previous accounting year.

The Company shall convene an extraordinary general meeting within two months upon occurrence of the following events:

(i) when the number of Directors falls below the minimum requirement of the Company Law, or is less than two thirds of the number specified by the Articles of Association;

(ii) when the unrecovered losses of the Company amount to one third of the total amount of its paid-up share capital;

(iii) when shareholder(s) severally or jointly holding more than ten percent of the Company's shares request(s) to convene such meeting;

(iv) when the Board considers necessary;

(v) when the Supervisory Committee proposes to convene such meeting; and

(vi) other circumstances stipulated by laws, administrative regulations, departmental rules, normative documents, the Listing Rules and the listing rules of the places where the shares of the Company are [**REDACTED**] or the Articles of Association.

Convening Shareholder's General Meeting

Shareholder's general meetings shall be convened by the Board of Directors, unless otherwise provided by law or these Articles of Association.

Any independent director may propose to the board of directors to hold an extraordinary general meeting. For the aforesaid proposal, the board of directors shall, in accordance with laws, administrative regulations, the Listing Rules and the Articles of Association, give a written feedback on whether or not it agrees to hold an extraordinary general meeting within 10 days of receipt of the proposal. Where the Board of Directors agrees to hold an extraordinary general meeting, it will send out a notice thereon within 5 days after the relevant resolution of the Board of Directors is made. If the Board of Directors does not agree to hold an extraordinary general meeting, it shall state reasons and make an announcement.

The Supervisory Committee may propose to the Board of Directors to hold an extraordinary general meeting and shall put forward the proposal to the Board of Directors in written form. The Board of Directors shall, in accordance with laws, administrative regulations, the Listing Rules and the Articles of Association, give a written feedback on whether or not it agrees to hold an extraordinary general meeting within 10 days of receipt of the proposal.

Where the Board of Directors agrees to hold an extraordinary general meeting, it shall send out a notice thereon within 5 days after the relevant resolution of the Board of Directors is made; any change to the original proposal in the notice is subject to the consent of the Supervisory Committee.

Where the Board of Directors does not agree to hold an extraordinary general meeting or fails to give a written feedback within 10 days of receipt of the proposal, it shall be deemed that the Board of Directors is unable or fails to perform its duty to convene a shareholders' general meeting, and the Supervisory Committee may convene and preside over an extraordinary general meeting itself.

Shareholder(s) severally or jointly holding more than 10% of the shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting and to add resolutions to the agenda of the meeting, and shall put forward such request to the Board in written form. The Board shall, in accordance with laws, administrative regulations, the Listing Rules and the Articles of Association, inform in writing whether it agrees or disagrees to convene an extraordinary general meeting within ten days upon receipt of the request.

If the Board of Directors agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five days after the date of the resolution of the Board of Directors and any changes to the original proposal contained in the notice shall be subject to the approval of the relevant shareholders.

If the Board of Directors does not agree to convene such meeting, or fails to give a response within ten days after receipt of the request, shareholders holding 10% or more of the shares of the Company separately or in aggregate shall have the right to propose to the Supervisory Committee to convene an extraordinary general meeting, and shall put forward such request to the Supervisory Committee in writing.

If the Supervisory Committee agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five days after receipt of the request and any changes to the original proposal contained in the notice shall be subject to the approval of the relevant shareholders.

If the Supervisory Committee fails to issue a notice convening the shareholders' general meeting by the prescribed period, the Supervisory Committee shall be deemed to refuse to convene and preside over such meeting, and shareholders holding 10% or more of the shares of the Company separately or in aggregate for no less than 90 consecutive days shall have the right to convene and preside over the meeting on their own.

(2) Proposals of General Meetings

The proposals put forward to the shareholders' general meetings shall fall within the scope of functions and powers of the shareholders' general meeting, have clear issues for discussion and specific matters to be resolved, and comply with the laws, administrative regulations, the Listing Rules and the Articles of Association.

When the Company convenes a general meeting, the Board of Directors, the Supervisory Committee and shareholders holding 1% or more of the shares of the Company separately or in aggregate shall be entitled to put forward proposals to the Company.

Shareholders individually or jointly holding 1% or more of the shares of the Company may submit ad hoc proposals to the convener of a shareholders' general meeting in writing ten days prior to shareholders' general meeting. The convener shall issue a supplementary notice of the shareholders' general meeting to announce the information of such ad hoc proposals within 2 days after receipt thereof, and submit such ad hoc proposals to General Meetings.

Except as provided in the preceding paragraph, the convener of a shareholders' general meeting shall not amend the proposals set out in the notice of the shareholders' general meeting or put up any new proposals after the issuance of the notice of the shareholders' general meeting.

(3) Notices of General Meetings

The Company shall convene an annual general meeting by notifying the shareholders in writing 20 days prior to the meeting and an extraordinary general meeting by notifying the shareholders in writing 15 days prior to the meeting.

When calculating the time limit of the notice, the date of the general meeting convened shall not be included but the issue date of such notice shall be included.

After the notice of the shareholders' general meeting is issued, the meeting shall not be postponed or cancelled and the proposals set out in the notice shall not be cancelled without proper reasons. In the case of any postponement or cancellation of the meeting, the convenor shall make an announcement at least two working days prior to the original date of the convening and state the reasons therefor. If the convening is postponed, the date of the postponed convening shall be stated in the announcement.

(4) Holding of General Meetings

All shareholders registered on the record date or their proxies shall be entitled to attend the general meeting. They shall exercise their voting rights in accordance with the relevant laws and regulations and the Articles of Association of the Company.

Shareholder may attend the general meeting in person, or appoint a proxy (who does not have to be a shareholder) to attend and vote on his/her behalf.

If such shareholder is a recognized clearing house (or its nominee(s)) as defined in the relevant regulations from time to time in Hong Kong, the clearing house shall be entitled to appoint a proxy or corporate representative to attend general meetings of the issuer and meetings of creditors, and such proxy or corporate representative shall have the same statutory rights as other shareholder s, including the right to speak and vote.

A general meeting shall be presided over by the chairman of the Board of Directors. If the chairman is unable or fails to discharge his/her duties, more than a half of the directors shall designate a director to preside over the meeting.

If a general meeting is convened by the Supervisory Committee, the chairman of the Supervisory Committee shall preside over the meeting. If the chairman of the Supervisory Committee is unable or fails to discharge his/her duties, more than a half of the supervisors shall designate a supervisor to preside over the meeting.

If a general meeting is convened by the shareholders themselves, the convener shall nominate a representative to preside over the meeting.

When a general meeting is convened, if the presider of the meeting contravenes the rules of procedure, rendering the meeting impossible to proceed, with the consent from more than half of the attending shareholders with voting rights, one person may be nominated at the general meeting to serve as the presider and the meeting may proceed.

Individual shareholders attending a general meeting in person shall produce their identity cards or other valid proof or evidence of their identities or stock account card, and in the case of attendance by proxies, the proxies shall produce valid proof of their identities and the proxy forms from shareholders.

For a corporate shareholder, its legal representative or a proxy appointed by such legal representative shall attend the general meeting. In the case of attendance by legal representatives, they shall produce their identity cards and valid proof of their capacities as legal representatives and, in the case of attendance by proxies of such legal representatives, such proxies shall produce their identity cards and the letters of authorization issued by such legal representatives according to the laws.

(5) Voting at and Resolutions of the General Meetings

Resolutions of the general meetings include ordinary resolutions and special resolutions.

Ordinary resolution at a general meeting shall be adopted by more than one half of the voting rights held by shareholders (including their proxies) attending the general meeting. Special resolution at a general meeting shall be adopted by more than two thirds of the voting rights held by shareholders (including their proxies) attending the general meeting.

The following matters shall be resolved by way of ordinary resolutions at a general meeting:

(i) the work reports of the Board of Directors and the Supervisory Committee;

(ii) the profit distribution plans and plans for making up losses drafted by the Board of Directors;

(iii) the dismissal and remuneration of the members of the Board of Directors and the Supervisory Committee and the method of payment of the remuneration;

(iv) the matters other than those that laws, administrative regulations, the Listing Rules, the listing rules of the places where the shares of the Company are [**REDACTED**] or the Articles of Association require to be adopted by special resolution.

The following matters shall be resolved by way of special resolutions at a general meeting:

(i) increase or reduction of the registered capital of the Company;

(ii) division, merger, dissolution and liquidation of the Company;

(iii) amendments of the Articles of Association;

(iv) purchase or disposal of major assets or guarantee of the Company within one year with the amount exceeding 30% of the latest audited total assets of the Company;

(v) share incentive schemes;

(vi) other matters as required by laws, administrative regulations, the Listing Rules, the listing rules of the places where the shares of the Company are [**REDACTED**] or the Articles of Association, and matters which, as resolved by way of an ordinary resolution at a general meeting, will have a material impact on the Company and need to be approved by way of special resolutions.

Shareholders (including proxies) shall exercise their voting rights according to the number of voting shares they represent, with one vote for each share, unless individual shareholders are required by the Listing Rules to abstain from voting on individual matters.

When a ballot voting is held, the shareholders (including proxies) having two or more votes need not use all of their voting rights to vote for or against such matters.

Where any shareholder is required by the Listing Rules to abstain from voting on any particular matter or is restricted to voting only for or only against any particular matter, such shareholder shall abstain from voting or casting his vote in accordance with such requirement; any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted in the voting result.

When the shareholders' meeting considers major matters affecting the interests of small and medium-sized investors, the votes of small and medium-sized investors shall be counted separately. The results of the separate vote counting shall be publicly disclosed in a timely manner.

Shares in the Company which are held by the Company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a general meeting.

When the general meeting considers matters relating to a connected transaction, the connected shareholders shall not participate in the vote, and the number of voting shares represented by them shall not be counted in the total number of valid voting shares. The resolution of the general meeting shall fully disclose the voting by the unconnected shareholders.

DIRECTORS AND BOARD OF DIRECTORS

(1) Directors

Directors shall be elected or replaced by the general meeting, and may further be removed from their office prior to the conclusion of the term thereof by the general meeting. Directors shall have a term of three years, renewable upon expiry if re-elected. The term of office of independent Directors is the same as other Directors, and the term is renewable upon re-election when it expires.

A director's term of office shall commence from the date when he/she takes office and end upon expiry of the term of the current session of the Board of Directors. The existing director shall continue to perform the duties of a director in accordance with laws, administrative regulations, departmental rules and the Articles of Association after the expiry of his/her term if no re-election is held in time.

The general manager and senior officers may concurrently serve as directors, provided that the total number of directors who concurrently serve as the general manager and senior management members and the directors who are employees' representatives shall not be more than half of the total number of directors of the Company.

Subject to the relevant laws and regulatory rules of the place where the Company's shares are [**REDACTED**], any person appointed by the Board as a Director to fill a casual vacancy on the Board or to increase the number of places on the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

(2) Board of Directors

The Company shall have a Board of Directors which shall be accountable to the general meeting.

The Board of Directors is composed of seven directors, with one chairman. The directors are composed of executive directors, non-executive directors, and independent directors.

An independent director shall perform his/her duties and responsibilities independently, without the interference of the substantial shareholders or the actual controller of the Company or other entities or individuals that have a material interest in the Company.

The Board shall exercise the following powers and duties:

(i) to convene a general meeting and report its work to such meeting;

(ii) to implement the resolutions of a general meeting;

(iii) to decide on the operation plans and investment plans for the Company;

(iv) to prepare the Company's profit distribution plans and loss recovery plans;

(v) to prepare the plan for the Company to increase or reduce its registered capital, issue bonds or other securities and listing plans;

(vi) to prepare plans of the Company with respect to material acquisitions and acquisitions of the Company's shares or merger, division, dissolution or change in the form of the Company;

(vii) within the scope of authorisation by the shareholders' meeting, to decide on matters such as foreign investment, acquisition and sale of assets, pledge of assets, external guarantee matters, entrusted financial management, connected transactions, and external donations;

(viii) to decide on the establishment of the internal organizations;

(ix) to decide to appoint or remove the general manager, secretary of the Board and other senior management of the Company, and decide on the remunerations and rewards and punishments thereof; to decide to appoint or remove the deputy general manager, financial controller and other senior management members of the Company nominated by the general manager, and decide on the remunerations and rewards and punishments thereof;

(x) to formulate the Company's basic management system;

(xi) to prepare plans to amend the Articles of Association;

(xii) to manage the disclosure of information of the Company;

(xiii) to propose to the general meeting with respect to the appointment or replacement of the accounting firm for the audit of the Company;

(xiv) to receive the work report of the general manager of the Company and examine such work; and

(xv) to consider and approve: (1) share transactions where all the percentage ratios calculated in accordance with the provisions of Rule 14.07 of the Listing Rules regarding percentage ratios are less than five percent (5%) and the consideration includes the shares to be [**REDACTED**] for [**REDACTED**] (including one-off transactions and a series of transactions for which the percentage ratios need to be calculated on a combined basis); (2) disclosable transactions where any one of the applicable percentage ratios reaches five percent (5%) or above but is less than twenty-five percent (25%) (including one-off transactions and a series of transactions for which the percentage ratios need to be calculated on a combined basis); or (3) partially exempt connected transactions and non-exempt connected transactions where any one of the percentage ratios (excluding the profit ratio) calculated in accordance with the provisions of Rule 14.07 of the Listing Rules regarding percentage ratios reaches zero point one percent (0.1%) or above but is less than five percent (5%) (including one-off transactions and a series of transactions for which the percentage ratios need to be calculated on a combined basis, but excluding any connected transactions that are exempt from disclosure or announcement in accordance with the Listing Rules or approved by the HKEX for exemption from disclosure or announcement);

(xvi) to exercise any other duties and powers specified in laws, administrative regulations, departmental rules, the Listing Rules and the listing rules of the places where the shares of the Company are [**REDACTED**] or the Articles of Association.

A director shall not enter into contracts with the Company or carry out transactions with the Company in violation of the provisions of the Articles of Association of the Company or without the consent of shareholders or a shareholders' general meeting.

The Board of Directors of the Company shall establish special committees such as audit committee, remuneration and appraisal committee and nomination committee etc. according to the relevant resolutions of the shareholder's general meeting. All members of special committees shall comprise directors. All of the special committees shall be accountable to the Board of Directors. The proposal of each special committee shall be submitted to the Board of Directors for deliberation and decision.

The members of specialized committees shall be exclusively composed of directors. Independent non-executive directors shall serve as conveners in the Audit committee, Nomination Committee, Remuneration and Appraisal Committee.

Decisions of the Audit Committee will be taken on a majority basis.

A resolution of the Board of Directors on the following matters shall be passed by a majority of all the members of the Audit Committee before it is made: (i) the engagement or dismissal of the accounting firm that undertakes the Company's auditing business; (ii) the appointment or dismissal of the person in charge of finance; (iii) the disclosure of the financial accounting report; and (iv) any other matters stipulated in the rules of the securities regulatory authorities under the State Council or other securities regulatory rules of the place where the Company's shares are [**REDACTED**].

The Board of Directors is responsible for formulating the rules of procedure and work protocols of the special committees and regulating the operation of the special committees.

SECRETARY TO THE BOARD

The Company shall have a secretary of the Board of Directors. The secretary of the Board is a senior officer of the Company, responsible to the Board of Directors. The secretary of the Board of Directors shall be nominated by the chairman of the Board and appointed or dismissed by the Board of Directors.

The secretary of the Board of Directors shall comply with laws, regulations, normative documents, the Listing Rules, the working rules of the secretary of the board of directors, and relevant provisions of the Articles of Association.

The secretary of the Board of Directors shall possess the necessary professional knowledge and experience to perform his/her duties, as well as good professional ethics and personal character.

The circumstances stipulated in the Articles of Association that prohibit the appointment of the director apply to the secretary of the Board of Directors as well.

The Secretary of the Board of Directors is responsible for the preparation of the shareholder's general meeting and the Board of Directors, the custody of meeting minutes and documents, the management of shareholder information, information disclosure, and other daily affairs; as well the secretary is responsible for filing the documents of the general meeting of shareholders, the Board of Directors, and the Supervisory Committee with the relevant securities regulatory departments where the shares of Company are [**REDACTED**] (if necessary).

The Company shall sign a confidentiality agreement with the secretary of the Board of Directors at the time of appointment, requiring to promise to continue fulfilling the confidentiality obligations during the secretary's tenure and after leaving until relevant information is disclosed, except for information related to the Company's illegal activities.

Before leaving office, the secretary of the Board of Directors shall undergo a review of the departure by the Board of Directors and the Supervisory Committee, and transfer relevant archives and documents, as well as ongoing or pending matters, under the supervision of the Supervisory Committee.

The resignation report of the secretary of the Board of Directors can only take effect after he/she completes the transfer of work and the relevant announcement is disclosed. Before the resignation report takes effect, the secretary of the Board of Directors who intends to resign shall continue to perform his/her duties.

SUPERVISORY COMMITTEE

The Company shall have a Supervisory Committee. The Supervisory Committee shall consist of three supervisors. A supervisory chairman will be appointed by election by all supervisors in a majority vote. The chairman of the Supervisory Committee shall convene and preside over a meeting of the Supervisory Committee. If the chairman of the Supervisory Committee is unable or fails to perform his/her duties, a supervisor selected by more than one half of all supervisors shall convene and preside over the meeting of the Supervisory Committee.

The Supervisory Committee shall consist of shareholder representatives and an appropriate proportion of the Company's employee representatives and the percentage of employee representatives shall not be less than one-third. The employee representatives of the Supervisory Committee shall be elected by employees of the Company at the employee representatives' meeting, the employee meeting or otherwise democratically.

The directors, the general manager and the senior management officers of the Company shall not act concurrently as supervisors.

The term of office of a supervisor shall be 3 years. The supervisors are renewable upon re-election and re-appointment.

The appointment and removal of the chairman of the Supervisory Committee shall be determined by the affirmative votes of more than half of the members of the Supervisory Committee.

The Supervisory Committee shall exercise the following duties and powers:

(i) to review the regular reports of the Company prepared by the Board of Directors and to submit written review opinions thereon;

(ii) to review the financial position of the Company;

(iii) to supervise the performance of Directors and senior management members of their duties to the Company, and propose dismissal of Directors and senior management members that have violated the laws, administrative regulations, the Articles of Association or the resolutions of the general meetings;

(iv) to demand rectification by Directors and senior management members when the acts of such persons are prejudicial to the Company's interest and, if necessary, report to the general meeting or relevant national competent authorities;

(v) to propose the convening of an extraordinary general meeting, and to convene and preside over the general meeting when the Board fails to perform such duties as specified by the Company Law;

(vi) to put forward proposals to general meetings;

(vii) to initiate litigations against Directors and senior management member in accordance with provisions of Article 189 of the Company Law;

(viii) to initiate investigations into any irregularities identified in the operation of the Company and, where necessary, may engage an accounting firm and a law firm to assist their work at the Company's expense; and

(ix) to require directors and senior management to submit reports on the execution of their duties.

Meetings of the Supervisory Committee are divided into regular and interim meetings.

The Supervisory Committee meets at least once every six months. The Supervisory Committee may convene an interim meeting within ten days if one of the following circumstances arises:

(i) when any supervisor proposes to convene it;

(ii) when the shareholders' meeting or the Board of Directors' meeting passes a resolution that violates laws, regulations, departmental rules, the Listing Rules, other securities regulatory rules of the place where the shares of Company are [**REDACTED**], as well as the Articles of Association, resolutions of the Company's shareholders' meeting and other relevant provisions;

(iii) when the misconduct of the Directors and senior management may cause material damage to the Company or create a bad influence in the market;

(iv) when the Company, directors, supervisors and senior management are subject to litigation by shareholders;

(v) when the Company, directors, supervisors or senior management are punished by the securities regulatory authorities or publicly condemned by the stock exchange;

(vi) other circumstances as provided for in these Articles of Association.

A meeting of the Supervisory Committee shall be held only when a majority of the supervisors are present. Resolutions of the Supervisory Committee shall be passed by a majority of all supervisors.

GENERAL MANAGER AND OTHER SENIOR MANAGEMENT MEMBERS

The Company shall have one general manager, who shall be appointed or dismissed by the Board of Directors. The Company shall have several vice general managers, who shall be appointed or dismissed by the Board of Directors.

The Company's general manager, vice general manager, the chief financial officer and the secretary of the Board of Directors are members of the senior management of the Company.

The general manager serves for a term of three years, subject to re-appointment upon the expiry of the term.

The general manager shall report to the Board and have the following duties and powers:

(i) to take charge of the production operations and management tasks of the Company and organize the implementation of the Board's resolutions, and to report work to the Board;

(ii) to organize the implementation of the Company's annual operating plan and investment plan;

(iii) to devise the set-up of the Company's internal management structure;

(iv) to devise the basic management policy of the Company;

(v) to formulate the specific rules of the Company;

(vi) to propose the appointment or dismissal of vice general managers and the chief financial officer;

(vii) to appoint or dismissal management officers, aside from those requiring the Board to decide the appointment or removal; and

(viii) other duties as granted by the Company's Articles of Association and the Board.

The general manager attend the board meetings.

FINANCIAL AND ACCOUNTING SYSTEM

The Company formulates its financial and accounting system in accordance with laws, administrative regulations, and relevant national departments. If there are other provisions in the Listing Rules or the securities regulatory authorities of the place where the Company's stocks are [**REDACTED**], such provisions shall apply.

The Company shall prepare its annual financial accounting report within 4 months from the end of each fiscal year, and prepare a semi-annual financial accounting report within 2 months from the end of the first 6 months of each fiscal year.

The above financial and accounting reports are prepared in accordance with relevant laws, administrative regulations, departmental rules, the Listing Rules, and other securities regulatory rules of the Company's stock [**REDACTED**] location.

The Company will not establish separate accounting books except for statutory accounting books. The assets of the Company shall not be stored in any individual's account.

PROFIT ALLOCATION

The Company shall allocate 10% of the annual after-tax profits as the statutory reserve fund of the Company. When the cumulated amount of the statutory reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

If the statutory reserve fund of the Company is insufficient to make up for the losses of the preceding year, the profits of the current year shall first be used to make up the said losses before any statutory reserve fund is withdrawn as per the provision of the preceding paragraph.

After withdrawing the statutory reserve fund out of its after-tax profits, the Company may also allocate some of its after-tax profits into its discretionary reserve if so resolved by the shareholders' general meeting.

After making up for the losses and making contributions to the common reserve fund, any remaining profits after tax shall be distributed to the shareholders in proportion to their respective shareholdings, except it is stipulated in the Articles of Association of the Company that profit distributions shall not be made in accordance with the shareholding proportion.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved for the following reasons:

(i) the business term stipulated in the Articles of Association has expired or other circumstances for dissolution specified in the Articles of Association arise;

(ii) the general meeting has resolved to dissolve the Company;

(iii) the merger or division of the Company requires a dissolution;

(iv) the business license is revoked, or the Company is ordered to close down or is dissolved according to laws;

(v) if the Company suffers significant hardship in its operation and management, and the ongoing existence would bring significant losses for shareholders that cannot be resolved through other means, the shareholders holding more than ten percent of the total voting rights of the Company may request the People's Court to dissolve the Company.

In the case of item (i) and (ii) mentioned above and the Company has not distribute properties to the shareholders, the Company may survive by amending the Articles of Association or the resolution of the general meeting, which shall be approved by more than two-thirds of the voting rights represented by the shareholders present at the general meeting.

Where the Company is dissolved under the circumstances set out in items (i), (ii), (iv) and (v) above, the Company shall establish a liquidation group to commence liquidation within fifteen days upon the occurrence of the circumstances for dissolution. The composition of the liquidation group shall be determined by Directors or general meeting. If the Company fails to establish a liquidation group on time, creditors may request the People's Court to designate certain persons to form a liquidation group to perform liquidation.

The liquidation team shall exercise the following functions and power during the period of liquidation:

(i) liquidating he properties of the Company, and preparing the balance sheets and asset checklists separately;

(ii) informing creditors by a notice or public announcement;

(iii) disposing of and liquidating the unfinished businesses of the Company;

(iv) clearing off the outstanding taxes and the taxes incurred from the process of liquidation;

(v) clearing off credits and debts;

(vi) distributing the residual properties after settling such debt; and

(vii) participating in the civil litigation on behalf of the Company.

The liquidation team shall, within 10 days of its formation, notify the creditors, and shall, within 60 days, make public announcements on the information disclosure media designated by the Company. Creditors shall, within 30 days of the receipt of the notice or within 45 days of the release of the public announcement in the case of failure to receive said notice, file their creditors' rights with the liquidation team.

After the liquidation team has liquidated the properties of the Company and has prepared the balance sheets and checklists of properties, it shall prepare a plan of liquidation, and report it to the shareholders' general meeting or the People's Court for confirmation.

The remaining assets that result from paying off the liquidation expenses, wages of employees, social insurance premiums and statutory compensation, the outstanding taxes and the debts of the Company may be distributed according to the ratios of shareholding of the shareholders.

During the liquidation period, the Company still exists but shall not carry out any business activities not related to liquidation. The property of the Company shall not be distributed to shareholders until all liabilities have been paid off in accordance with the provisions of the preceding paragraph.

AMENDMENT TO ARTICLES OF ASSOCIATION

Under any one of the following circumstances, the Company shall amend the Articles of Association:

(i) after amendment has been made to the Company Law, the relevant laws, administrative regulations or the Listing Rules, the contents of the Articles of Association shall conflict with the amended laws, administrative regulations or the Listing Rules;

(ii) the changes that the Company have undergone are not in consistence with the records made in the Articles of Association; and

(iii) the shareholders' general meeting decides that the Article of Association should be amended.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Establishment of Our Company

Our Company was incorporated as a limited liability company under PRC Law on February 14, 2014 and was converted into a joint stock company with limited liability on September 7, 2023. Our registered address and principal place of business is at Room 4068, 4th Floor, No. 102, Keyun Road, Zhongshan Avenue, Tianhe District, Guangzhou, China.

We have established a place of business in Hong Kong at Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 11, 2025. Ms. Tang King Yin (鄧景賢), our joint company secretary, is the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong under Part 16 of the Companies Ordinance. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established under PRC Law, we are subject to the relevant PRC Law. A summary of the relevant aspects of laws and regulations of China and our Articles of Association is set out in Appendices IV and V to this document.

2. Changes in the Share Capital of Our Company

For details on the changes in the share capital of our Company, see "History, Development and Corporate Structure".

On February 14, 2014, our Company was established as a limited liability company with a registered capital of RMB60,000.

On September 7, 2023, our Company was converted into a joint stock company with limited liability with a registered capital of RMB12,266,496 divided into 613,324,800 Shares with a nominal value of RMB0.02 each.

Save as disclose above, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document.

3. Changes in the Share Capital of our Subsidiaries

A summary of the corporate information and the particulars of our major subsidiaries are set out in the Accountants' Report, the text of which is set out in Appendix I. The following subsidiaries were incorporated within the two years immediately preceding the date of this document:

Name	Place of incorporation	Date of incorporation	Registered capital/share capital
Huai'an Yujian Haowu Supply Chain Management Co., Ltd. (淮安遇見好物供應鏈管理有限公司)	Chinese mainland	April 25, 2023	RMB10,000,000
Xiao Noodles International Holdings Limited (遇見小麵國際控股有限公司)	Hong Kong SAR	May 19, 2023	HK$100,000
Sichuan Yujian Haowan Information Technology Co., Ltd. (四川遇見好玩信息科技有限公司)	Chinese mainland	July 11, 2023	RMB1,000,000
Xiao Noodles Group Limited (香港遇見小麵餐飲集團有限公司)	Hong Kong SAR	July 14, 2023	HK$100,000
Fine Goods SCM Limited (遇見好物供應鏈管理有限公司)	Hong Kong SAR	July 14, 2023	HK$100,000
Guangzhou Yujian One Xiaomian Catering Management Co., Ltd. (廣州遇見壹小麵餐飲管理有限公司)	Chinese mainland	May 8, 2024	RMB1,000,000
Foshan Yujian Mian Catering Management Co., Ltd. (佛山遇見麵餐飲管理有限公司)	Chinese mainland	June 14, 2024	RMB1,000,000
Guangzhou Yujian Two Xiaomian Catering Management Co., Ltd. (廣州遇見貳小麵餐飲管理有限公司)	Chinese mainland	July 23, 2024	RMB1,000,000
Shanghai Yujian Mian Catering Management Co., Ltd. (上海遇見麵餐飲管理有限公司)	Chinese mainland	August 14, 2024	RMB1,000,000
Shenzhen Yujian Mian Catering Management Co., Ltd. (深圳遇見麵餐飲管理有限公司)	Chinese mainland	August 14, 2024	RMB1,000,000
Guangzhou Yujian Three Xiaomian Catering Management Co., Ltd. (廣州遇見叁小麵餐飲管理有限公司)	Chinese mainland	August 21, 2024	RMB1,000,000
Beijing Yujian One Xiaomian Catering Management Co., Ltd. (北京遇見壹小麵餐飲管理有限公司)	Chinese mainland	August 23, 2024	RMB1,000,000
Guangzhou Yujian Xiaomian Information Technology Co., Ltd. (廣州遇見小麵信息科技有限公司)	Chinese mainland	August 23, 2024	RMB1,000,000

Name	Place of incorporation	Date of incorporation	Registered capital/share capital
Guangzhou Yujian Four Xiaomian Catering Management Co., Ltd. (廣州遇見肆小麵餐飲管理有限公司)	Chinese mainland	October 16, 2024	RMB1,000,000
Guangzhou Yujian Five Xiaomian Catering Management Co., Ltd. (廣州遇見伍小麵餐飲管理有限公司)	Chinese mainland	November 26, 2024	RMB1,000,000
Suqian Yujian Haopin Supply Chain Management Co., Ltd. (宿遷遇見好品供應鏈管理有限公司)	Chinese mainland	November 27, 2024	RMB10,000,000
Guangzhou Yujian Six Xiaomian Catering Management Co., Ltd. (廣州遇見陸小麵餐飲管理有限公司)	Chinese mainland	December 18, 2024	RMB1,000,000
HK Xiao Noodles Catering Management Limited (香港遇見小麵餐飲管理有限公司)	Hong Kong SAR	January 6, 2025	HK$1,000,000
Foshan Yujian Two Mian Catering Management Co., Ltd. (佛山遇見貳麵餐飲管理有限公司)	Chinese mainland	January 16, 2025	RMB1,000,000
Guangzhou Yujian Seven Xiaomian Catering Management Co., Ltd. (廣州遇見柒小麵餐飲管理有限公司)	Chinese mainland	February 19, 2025	RMB1,000,000
Xiao Noodles Catering Management Group Pte. Ltd.	Singapore	January 21, 2025	50,000 Singapore dollars
Shanghai Yujian Two Mian Catering Management Co., Ltd. (上海遇見貳麵餐飲管理有限公司)	Chinese mainland	February 20, 2025	RMB1,000,000
Shenzhen Yujian One Mian Catering Management Co., Ltd. (深圳市遇見壹麵餐飲管理有限公司)	Chinese mainland	March 6, 2025	RMB1,000,000
Guangzhou Yujian Eight Mian Catering Management Co., Ltd. (廣州遇見捌麵餐飲管理有限公司)	Chinese mainland	March 17, 2025	RMB1,000,000

Further, the following changes in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this document:

- On July 31, 2023, the registered capital of Shanghai Yujian Xiaomian Catering Management Co., Ltd. (上海遇見小麵餐飲管理有限公司) was increased from RMB1,000,000 to RMB10,000,000.

- On November 30, 2023, the registered capital of Guangzhou Yujian Xiaomian Catering Service Co., Ltd. (廣州遇見小麵餐飲服務有限公司) was increased from RMB1,000,000 to RMB10,000,000.

- On January 26, 2024, the registered capital of Shenzhen Yujian Xiaomian Catering Management Co., Ltd. (深圳遇見小麵餐飲管理有限公司) was increased from RMB1,000,000 to RMB10,000,000.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this document.

4. Resolutions of our Shareholders

At the general meeting of the Shareholders held on April 2, 2025, the following resolutions, among others, were duly passed:

(1) the issue by the Company of H Shares with a nominal value of RMB0.02 each and such H Shares be [**REDACTED**] on the Stock Exchange;

(2) that the number of H Shares to be issued shall not be more than [**REDACTED**] of the total issued share capital of our Company as enlarged by the [**REDACTED**] (before the exercise of the [**REDACTED**]), and the grant to the [**REDACTED**] of the [**REDACTED**] of not more than [**REDACTED**] of the number of H Shares issued pursuant to the [**REDACTED**];

(3) subject to the completion of the [**REDACTED**], the revised Articles of Association be approved and adopted, which shall become effective on the [**REDACTED**] and the Board has been authorized to amend the Articles of Association in accordance with any legal or statutory requirements, or any comments from any governmental or regulatory authorities;

(4) subject to the approval of the CSRC filing, upon completion of the [**REDACTED**], [**REDACTED**] Unlisted Shares held by [**REDACTED**] Shareholders will be [**REDACTED**] into H Shares on a [**REDACTED**] basis; and

(5) authorization of the Board or its authorized representatives to handle all matters relating to, among other things, the [**REDACTED**], the [**REDACTED**] of Unlisted Shares into H Shares and the issue and [**REDACTED**] of H Shares on the Stock Exchange.

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 its subsidiaries within the two years preceding the date of this document and are or may be material:

(a) [**REDACTED**].

2. Our Material Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we considered to be material to our business:

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1.	遇见小面	29	The Company	Chinese mainland	53824064	April 14, 2024	April 13, 2034
2.	小 遇见小面 XIAONOODLES	30, 35, 43	Xiao Noodles International Holdings Limited (遇見小麵國際控股有限公司) ("**XN International**")	Hong Kong SAR	306266403	February 20, 2024	June 8, 2033
3.	小 遇見小麵 XIAONOODLES	30, 35, 43	XN International	Hong Kong SAR	306266412	February 20, 2024	June 8, 2033
4.	遇見小麵	30, 35, 43	XN International	Hong Kong SAR	306266421	February 20, 2024	June 8, 2033
5.	遇见小面	30	The Company	Chinese mainland	53488972	January 14, 2024	January 13, 2034
6.	遇见小面	29	The Company	Chinese mainland	53514081	January 14, 2024	January 13, 2034
7.	小 遇见小面	29	The Company	Chinese mainland	58558367	January 14, 2024	January 13, 2034
8.	遇见小面	30	The Company	Chinese mainland	53798311	September 14, 2023	September 13, 2033
9.	小 遇见小面	30	The Company	Chinese mainland	58573888	September 14, 2023	September 13, 2033
10.	小 遇见小面	43	The Company	Chinese mainland	58563942	August 28, 2023	August 27, 2033
11.	小 遇见小面	35	The Company	Chinese mainland	58578652	March 28, 2023	March 27, 2033
12.	遇见小面	43	The Company	Chinese mainland	15327283	May 21,2017	May 20 2027

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	Applicant	Place of application	Application number	Application date
1.	小 遇見小麵 XIAO NOODLES	30, 35, 43	XN International	Hong Kong SAR	306823224	February 28, 2025

(b) Patents

As of the Latest Practicable Date, we had registered the following patents which we considered to be material to our business:

No.	Patent	Patent type	Patentee	Place of registration	Patent number	Application date
1.	Bowl (red) (碗(紅色))	Design	The Company	Chinese mainland	ZL202030164905.9	April 21, 2020
2.	Bowl (golden bowl) (碗(金碗))	Design	The Company	Chinese mainland	ZL202330143711.4	March 23, 2023

(c) Software Copyrights

As of the Latest Practicable Date, we had registered the following software copyrights which we considered to be material to our business:

No.	Copyright	Owner	Place of registration	Registration number	Registration date
1. .	Yujian Xiaomian ordering application management backend production task system (遇見小麵點餐小程序管理後台生產任務系統)	Sichuan Yujian Haowan Information Technology Co., Ltd. (四川遇見好玩信息科技有限公司) ("**Sichuan Yujian Haowan**")	Chinese mainland	2024SR0762881	June 5, 2024
2. .	Yujian Xiaomian data viewing operation system (遇見小麵看數運營系統)	Sichuan Yujian Haowan	Chinese mainland	2024SR0661222	May 16, 2024
3. .	Yujian Xiaomian business middle office meet numbers platform (遇見小麵業務中台遇數平台)	Sichuan Yujian Haowan	Chinese mainland	2024SR0618336	May 9, 2024
4. .	Yujian Xiaomian data middle office meet numbers platform (遇見小麵數據中台遇數平台)	Sichuan Yujian Haowan	Chinese mainland	2024SR0565982	April 26, 2024
5. .	Yujian Xiaomian printing service task production system (遇見小麵打印服務生產任務系統)	Sichuan Yujian Haowan	Chinese mainland	2024SR0544605	April 23, 2024
6. .	Yujian Xiaomian settlement center operation system (遇見小麵結算中心運營系統)	Sichuan Yujian Haowan	Chinese mainland	2024SR0314200	February 27, 2024

No.	Copyright	Owner	Place of registration	Registration number	Registration date
7. .	Yujian Xiaomian food delivery operation system (遇見小麵出餐寶運營系統)	Sichuan Yujian Haowan	Chinese mainland	2024SR0299286	February 23, 2024
8. .	Yujian Xiaomian KDS function production management system (遇見小麵KDS功能生產管理系統)	Sichuan Yujian Haowan	Chinese mainland	2024SR0014262	January 3, 2024
9. .	Store POS management backend operation system (門店POS管理後台運營系統)	Sichuan Yujian Haowan	Chinese mainland	2023SR1689761	December 20, 2023
10.	Store assistant operation system (門店小助手運營系統)	Sichuan Yujian Haowan	Chinese mainland	2023SR1692393	December 20, 2023
11.	Food ordering mini program operation system (點餐小程序運營系統)	Sichuan Yujian Haowan	Chinese mainland	2023SR1696227	December 20, 2023
12.	Special mini program operation system (特許小程序運營系統)	Sichuan Yujian Haowan	Chinese mainland	2023SR1682623	December 19, 2023

(d) Domain names

As of the Latest Practicable Date, we had registered the following domain name which we considered to be material to our business:

No.	Domain name	Registered owner	Expiry date
1.	xiaonoodles.com	the Company	April 23, 2025

Save as disclosed above, as at the Latest Practicable Date, there were no other intellectual property rights which were material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests of our Directors, Supervisors and Chief Executive

Immediately following the completion of the [**REDACTED**] and [**REDACTED**] of Unlisted Shares into H Shares, the interests and/or short positions (as applicable) of the Directors, Supervisors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares, underlying Shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which (1) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are [**REDACTED**] on the Stock Exchange, will be as follows:

(a) Interests in our Company

Name of Director, Supervisor or Chief Executive	Nature of Interest	Number and Description of Shares[1]	Approximate percentage of shareholding in the total issued share capital of our Company immediately upon completion of the [REDACTED] and the [REDACTED] of Unlisted Shares into H Shares[2]
Mr. Song[3][4]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]
Ms. Luo[5]	Interest of spouse	[**REDACTED**]	[**REDACTED**]
Mr. Su[3]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]
Mr. Peng Yue (彭躍)[6]	Beneficial owner	[**REDACTED**]	[**REDACTED**]
Ms. Zhang Qi (張琦)[7]	Beneficial owner	[**REDACTED**]	[**REDACTED**]
Ms. Qin Yan (秦燕)[8]	Beneficial owner	[**REDACTED**]	[**REDACTED**]

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of [**REDACTED**] H Shares in issue immediately after the completion of the [**REDACTED**] (without taking into account the H Shares to may be [**REDACTED**] upon the exercise of the [**REDACTED**]) and the [**REDACTED**] of Unlisted Shares into H Shares.

(3) As of the Latest Practicable Date, Huai'an Chuangtao was a limited partnership established under PRC Law. It was established by Mr. Song and Mr. Su in April 2016 as their shareholding platform. Mr. Song, as the general partner, and Mr. Su, as the limited partner, held 66.67% and 33.33% of the partnership interest therein, respectively. Accordingly, under Part XV of the SFO, Mr. Song and Mr. Su are deemed to be interested in all the Shares held by Huai'an Chuangtao upon the [**REDACTED**].

(4) As of the Latest Practicable Date, Mr. Song is the general partner of Huai'an Yujian Haoren, our Company's employee incentive platform. Accordingly, under Part XV of the SFO, Mr. Song is deemed to be interested in all the Shares held by Huai'an Yujian Haoren upon the [**REDACTED**].

(5) Ms. Luo is the spouse of Mr. Song. Accordingly, under Part XV of the SFO, Ms. Luo is deemed to be interested in all the Shares in which Mr. Song is deemed to be interested in upon the [**REDACTED**].

(6) As of the Latest practicable Date, Mr. Peng Yue was granted Awards (defined below) pursuant to the [**REDACTED**] Employee Incentive Scheme representing approximately [**REDACTED**] Shares, the details of which are set out in "— D. [**REDACTED**] Employee Incentive Scheme — Details of the Awards Granted".

(7) As of the Latest practicable Date, Ms. Zhang Qi was granted Awards (defined below) pursuant to the [**REDACTED**] Employee Incentive Scheme representing approximately [**REDACTED**] Shares, the details of which are set out in "— D. [**REDACTED**] Employee Incentive Scheme — Details of the Awards Granted".

(8) As of the Latest practicable Date, Ms. Qin Yan was granted Awards (defined below) pursuant to the [**REDACTED**] Employee Incentive Scheme representing approximately [**REDACTED**] Shares, the details of which are set out in "— D. [**REDACTED**] Employee Incentive Scheme — Details of the Awards Granted".

2. Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this document, immediately following the completion of the [**REDACTED**] and without taking into account any Shares which may be [**REDACTED**] pursuant to the exercise of the [**REDACTED**], our Directors or chief executive 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 or any of our subsidiaries.

3. Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters

Each of our executive Directors and Supervisors has entered into a service contract with our Company and we have issued letters of appointment to each of our non-executive Directors and each of our independent non-executive Directors. 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 or Supervisors 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)).

4. Remuneration of Directors and Supervisors

See "Directors, Supervisors and Senior Management" and note 8 to the Accountants' Report in Appendix I to this document for the remuneration or benefits in kind paid to our Directors and Supervisors for each of the years ended December 31, 2022, 2023 and 2024.

During the Track Record Period, no fees were paid by our Group to any of the Directors, Supervisors or the five highest paid individuals as an inducement to join us or as compensation for loss of office.

5. Disclaimers

Save as disclosed in this Appendix and in sections headed "Directors, Supervisors and Senior Management" and "Substantial Shareholders" in this document:

(a) none of our Directors, Supervisors 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 [**REDACTED**] on the Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) so far as is known to any Director, Supervisor or chief executive of our Company, no person has an interest or short position in the Shares 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 any other member of our Group;

(c) none of our Directors, Supervisors nor any of the persons listed in "E. Other Information — 4. Qualifications and Consents 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 document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors, Supervisors nor any of the persons listed in "E. Other Information — 4. Qualifications and Consents of Experts" below is materially interested in any contract or arrangement with our Group subsisting at the date of this document 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 [**REDACTED**], none of the persons listed in "E. Other Information — 4. Qualifications and Consents 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 or Supervisors 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) save as contemplated under the [**REDACTED**], none of our Directors, Supervisors or 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. [REDACTED] EMPLOYEE INCENTIVE SCHEME

The [**REDACTED**] Employee Incentive Scheme was approved and adopted by our Company in August 2019. The purpose of the [**REDACTED**] Employee Incentive Scheme is to further improve our Company's governance structure, establish and improve the incentive and restraint mechanisms for our senior management, middle-level management and other key employees, stabilize and attract excellent management and other talents, improve our market competitiveness and sustainable development capabilities, and ensure the realization of our development strategy and business objectives. The [**REDACTED**] Employee Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of new Shares or options over new Shares by our Company to subscribe for new Shares after the [**REDACTED**].

Huai'an Yujian Haoren was established under PRC Law as our Company's employee incentive platform. The eligible participants under the [**REDACTED**] Employee Incentive Scheme would be granted awards to subscribe for partnership interests in Huai'an Yujian Haoren (the "**Award**") and, upon the exercise of the Award, become limited partners thereof and be indirectly interested in the incentive Shares held by Huai'an Yujian Haoren. As of the Latest Practicable Date, Huai'an Yujian Haoren held 25,995,850 Shares, representing 4.24% of our total issued share capital.

The following is a summary of the principal terms of the [**REDACTED**] Employee Incentive Scheme.

Eligible Participants

Eligible participants include senior management and middle-level management members of our Group.

Exercise Price

The exercise price of each Award is calculated based on the price of RMB1 per RMB1 of our Company's registered capital that the eligible participant will be indirectly interested in upon the exercise of the Award.

Scheme Administration

Our Board is the scheme administrator responsible for drafting, formulating and revising the [**REDACTED**] Employee Incentive Scheme, as well as executing and managing the [**REDACTED**] Employee Incentive Scheme. Our Board is also responsible for reviewing and approving the number of grants, eligible participants, exercise price, exercise period and exercise method of the Awards. Our Board has further authorized Mr. Song to be responsible for the specific implementation and execution of all matters related to the [**REDACTED**] Employee Incentive Scheme. Our supervisory committee is the supervisory body of the [**REDACTED**] Employee Incentive Scheme and is responsible for verifying the list of eligible participants and supervising whether the implementation of the [**REDACTED**] Employee Incentive Scheme complies with the relevant laws, regulations and our Articles of Association.

Number of Shares

The number of Shares underlying the Awards granted under the [**REDACTED**] Employee Incentive Scheme is approximately 25,995,850 Shares, representing approximately 4.24% of our total issued share capital immediately before the completion of the [**REDACTED**] and [**REDACTED**] of our total issued share capital immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**]). There are no Shares underlying the [**REDACTED**] Employee Incentive Scheme that are reserved for grant of Awards to future grantees under the [**REDACTED**] Employee Incentive Scheme. No further Awards are expected to be granted after [**REDACTED**] under the [**REDACTED**] Employee Incentive Scheme.

Termination and Withdrawal of Awards

Unvested and/or vested but unexercised Awards granted under the [**REDACTED**] Employee Incentive Scheme may be terminated, and all exercised Awards (i.e. the partnership interests in Huai'an Yujian Haoren) may be withdrawn and be required to be transferred to Mr. Song or to a third party designated by Mr. Song if the eligible participant (not exhaustive) (i) seriously violates the rules and regulations of our Group and is punished by demotion or other penalties; (ii) seriously neglects his/her duties, engages in malpractice for personal gain, and causes major damage to our Group or to Huai'an Yujian Haoren; (iii) establishes an employment relationship with other employers while employed with us, which seriously affects the completion of his/her work with our Company; (iv) is held criminally liable in accordance with the law, or is investigated by the judicial authorities for suspected criminal offenses; (v) causes serious damage to our Group or to Huai'an Yujian Haoren intentionally or due to gross negligence, and the amount of compensation to our Group or to Huai'an Yujian Haoren reaches RMB50,000; (vi) seriously violates the partnership agreement of Huai'an Yujian Haoren; (vii) discloses the commercial secrets of our Group; (viii) damages the interests or reputation of our Group; (ix) seriously violates his/her duty of diligence and principle of good faith; (x) without the written consent of our Company, donates, transfers, guarantees, entrusts, pledges, sets up a trust using, sets up third-party rights using, repays debts using the exercised Award or disposes of the exercised Award in other ways; and (xi) loses the ability to work, loses civil capacity or passes away from non-employment related behavior.

Lock-up and Restrictions on Transfer

The Awards granted under the [**REDACTED**] Employee Incentive Scheme are subject to a lock-up period from the date the eligible participants hold partnership interests in Huai'an Yujian Haoren to at least one year after our Company completes the [**REDACTED**].

Without the consent of Mr. Song and our Board, the eligible participant shall not donate, transfer, guarantee, entrust, pledge, set up a trust using, set up third-party rights using, repay debts using, or otherwise dispose of the exercised Award in other ways. If the eligible participant deals with the exercised Award in violation of the [**REDACTED**] Employee Incentive Scheme, the income obtained from the violation shall belong to our Company and the eligible participant shall compensate for the losses borne by Mr. Song and our Company due to the violation.

Details of the Awards Granted

Details of the Awards granted under the [**REDACTED**] Employee Incentive Scheme as of the Latest Practicable Date are as follows:

Name of the grantee	Relationship with our Group	Number of Shares underlying the Award granted under the [REDACTED] Employee Incentive Scheme(1)	Approximate percentage of effective shareholding immediately following the completion of the [REDACTED](2)
		(Approximate)	
Directors, Supervisors, senior management and other Connected Persons			
Mr. Xu Zhi (許智)	Chief financial officer and vice president(4)	2,711,300(5)	[**REDACTED**]
Mr. Peng Yue (彭躍)	Supervisor	2,500,000(6)	[**REDACTED**]
Mr. Li Bin (李彬)	Executive director and manager of multiple subsidiaries of our Company	913,300(7)	[**REDACTED**]
Ms. Zhang Qi (張琦)	Supervisor	180,000(8)	[**REDACTED**]
Mr. Pan Rujun (潘儒俊)	Human resource manager(4)	62,500(9)	[**REDACTED**]
Ms. Qin Yan (秦燕)	Chairwoman of our supervisory committee	60,000(10)	[**REDACTED**]
Mr. Du Chao (杜超)	Supervisor of research and development and the brother-in-law of Mr. Peng Yue, our Supervisor	60,000(11)	[**REDACTED**]
Mr. Song	Chairman of our Board, executive Director and chief executive officer	54,250(12)	[**REDACTED**]
Other grantees			
61 current or past employees of our Group		19,454,500(13)	[**REDACTED**]
Total		**25,995,850**	[**REDACTED**]

Notes:

(1) For illustrating the indirect interests of grantees in our Company, the number of Shares are presented and calculated by multiplying their respective percentage of partnership interests in Huan'an Yujian Haoren (assuming all the Awards are vested and exercised) by the total number of Shares held by Huan'an Yujian Haoren.

(2) Assuming the [**REDACTED**] is not exercised.

(3) [**REDACTED**] Unlisted Shares held by Huai'an Yujian Haoren will be [**REDACTED**] into H Shares, subject to the relevant regulatory approvals and registration.

(4) Resigned as a Director on April 1, 2025.

(5) Awards representing approximately 1,025,650 underlying Shares have been vested and exercised and Awards representing approximately 1,685,650 underlying Shares shall vest from the [**REDACTED**] to March 30, 2028, subject to certain performance targets being met.

(6) Awards granted to Mr. Peng Yue have all been vested and exercised.

(7) Awards representing approximately 76,925 underlying Shares have been vested and exercised and Awards representing approximately 836,375 underlying Shares shall vest from February 15, 2026 to March 30, 2028, subject to certain performance targets being met.

(8) Awards representing approximately 180,00 underlying Shares shall vest from February 15, 2026 to March 30, 2028, subject to certain performance targets being met.

(9) Awards granted to Mr. Pan Rujun have all been vested and exercised.

(10) Awards representing approximately 60,000 underlying Shares shall vest on March 28, 2027, subject to certain performance targets being met.

(11) Awards representing approximately 60,000 underlying Shares shall vest on March 30, 2026, subject to certain performance targets being met.

(12) Awards granted to Mr. Song have all been vested and exercised.

(13) Awards representing approximately 11,148,050 underlying Shares have been vested and exercised and Awards representing approximately 8,306,450 underlying Shares shall vest from October 14, 2025 to March 30, 2028, subject to certain performance targets being met.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty under PRC Law is likely to fall on our Company or its subsidiaries.

2. Litigation

As of the Latest Practicable Date, 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 its business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**] in, the H Shares to be [**REDACTED**] pursuant to the [**REDACTED**] and the H Shares to be [**REDACTED**] from the Unlisted Shares upon completion of the [**REDACTED**]. All necessary arrangements have been made to enable our H Shares to be admitted into [**REDACTED**].

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsors will receive an aggregate fee of USD1.1 million for acting as the sponsor for the [**REDACTED**].

4. Qualifications and Consents 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 document:

Name	Qualification
CMB International Capital Limited	Licensed corporation 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 Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Jingtian & Gongcheng	Legal adviser to our Company as to PRC Law
Jia Yuan Law Offices	Legal advisor to our Company as to PRC Law on cybersecurity and data privacy protection
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

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.

5. Promoters

Information of our promoters as of the time of our Company's conversion into a joint stock limited company on September 7, 2023 is as follows:

No.	Name
1....	Huai'an Chuangtao
2....	Wonderful Dawn Holdings Limited
3....	Mr. Gu Dongsheng (顧東生)
4....	Guangzhou Pinxin Yuegu Enterprise Management Co., Ltd. (廣州品芯悦穀企業管理有限公司)
5....	Foshan Nanhai Huibi No. 2 Equity Investment Partnership (Limited Partnership) (佛山市南海區匯碧二號股權投資合夥企業(有限合夥))
6....	Huai'an Yujian Haoren
7....	Foshan Nanhai Huibi No. 1 Equity Investment Partnership (Limited Partnership) (佛山市南海區匯碧一號股權投資合夥企業(有限合夥))
8....	Shanghai Qingcong Capital Investment Partnership (Limited Partnership) (上海青驄股權投資合夥企業(有限合夥))
9....	Mr. Gao Defu (高德福)

Within the two years immediately preceding the date of this document, no cash, securities, amount or benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [**REDACTED**] or the related transactions described in this document.

7. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer is effected on the H Share register of members of our Company, including in circumstances where such transaction is effect on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

8. Preliminary Expenses

We have not incurred any material preliminary expenses.

9. 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 December 31, 2024.

10. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, 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.

11. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

This document is written in the English language and contains a Chinese translation for information purpose only. Should there be any discrepancy between the English language of this document and the Chinese translation, the English language version of this document shall prevail.

12. Miscellaneous

Save as disclosed in this document:

(a) within the two years immediately preceding the date of this document:

(i) 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) save as in connection with the [**REDACTED**], 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) no commission has been paid or payable (except commission to [**REDACTED**]) 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 December 31, 2024 (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 twelve months immediately preceding the date of this document;

(iii) our Company has no outstanding convertible debt securities or debentures;

(iv) there are no treasury shares held by our Company or our subsidiaries or through our agents or nominees.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(i) a copy of each of the material contracts referred to in "Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix VI; and

(ii) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 4. Qualifications and Consents of Experts" in Appendix VI.

B. DOCUMENTS AVAILABLE ON DISPLAY

Electronic copies of the following documents will be available on display on the website of our Company at **https://www.xiaonoodles.com** and on the website of the Stock Exchange at **www.hkexnews.hk** during a period of 14 days from the date of this document:

(i) the Articles of Association;

(ii) the Accountants' Report from KPMG, the text of which is set out in Appendix I;

(iii) the audited consolidated financial statements of our Group for the years ended December 31, 2022, 2023 and 2024;

(iv) the report from KPMG on the unaudited [**REDACTED**] financial information of our Group, the texts of which are set out in Appendix II;

(v) the industry report issued by Frost & Sullivan referred to in "Industry Overview";

(vi) the PRC Law legal opinions issued by Jingtian & Gongcheng, our PRC Legal Advisor, in respect of certain general corporate matters and property interests of our Group under PRC Law;

(vii) the memorandum issued by Jia Yuan Law Offices, our PRC Data Compliance Advisor, in respect of China's cybersecurity and data privacy protection laws;

(viii) the material contracts referred to in "Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix VI;

(ix) the service contracts and appointment letters referred to in "Statutory and General Information — C. Further Information about Our Directors, Supervisors and Substantial Shareholders — 3. Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters" in Appendix VI;

(x) the written consents referred to in "Statutory and General Information — E. Other Information — 4. Qualifications and Consents of Experts" in Appendix VI; and

(xi) the PRC Company Law, the Securities Law, and the Trial Measures, together with unofficial English translations thereof.