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 results of operations, financial performance and business prospects may 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 operating history may not be indicative of our results of operations, financial performance or business prospects in the future.

We started our snack and beverage retail business in 2022, which experienced rapid growth during the Track Record Period and has become our core business. Our total revenue increased by 247.9% from RMB9.3 billion in 2023 to RMB32.3 billion in 2024 and further by 59.2% to RMB51.5 billion in 2025.

However, our operating history may not serve as an adequate indicator of our future performance and our historical growth may not be indicative of our future growth or financial condition. We may not be able to maintain our growth, profitability, cash flows, or our historical performance in other terms. For example, we cannot assure you that we will continue to execute successful expansion strategies or our store network will continue to grow at the historically high rate in the future. As we grow our store network, we may not be able to manage any future growth effectively or efficiently. The continued success of our business model depends on our continued appeal to our consumers, our ability to increase our market share, recruit and retain qualified franchisees, and other factors. It is also crucial that we maintain a diversified product mix of snack and beverage and uphold our brand values and image. The outstanding operating performance of our brands is a collaborative effort contributed by us, our franchisees, consumers, suppliers, and other business partners.

In addition, our business and results of operations are influenced by various general factors that affect overall consumer demands and market conditions for value retail for snack and beverage. These factors include, but are not limited to, macroeconomic trends, industry dynamics, and competitive landscape. Any negative change in these factors and conditions may adversely impact our results of operations. If our business performance deteriorates, [**REDACTED**] perceptions of our business prospects may be materially and adversely affected, and [**REDACTED**] of our H Shares could decline.

Our future growth depends on our ability to strategically and continuously extend the footprint of our store network and successfully manage the operational performance of our extensive store network.

Our future growth depends on the ability to grow our store network, which requires substantial operational resources and management attention, and may be affected by factors beyond our control.

Our ability to attract new franchisees to open store in favorable locations is crucial to our business success. To support the extensive store network, we have to strengthen our ability to manage the procurement and logistics chain. As we rapidly scale up, it may become increasingly difficult to manage the procurement, production and logistics across our store network. In addition, it may become more difficult to ensure the products and consumer experience across our store network are consistently of high quality. We also need to enhance our ability to hire, train and retain qualified and capable employees. If we are not successful in these efforts, or if consumer demand does not grow sufficiently or rapidly enough to support our expansion, our results of operations, financial performance and business prospects may be materially and adversely affected.

Moreover, delays in our store expansion may also affect our results of operations and financial conditions. The lead time to open new stores may be subject to a variety of factors, including but not limited to the time for the franchisees to obtain pre-requisite approvals and licenses. Any delay in new stores opening and/or closures of the existing stores will affect the number of stores, the operation days, as well as our results of operations. Additionally, some new stores may experience initial ramp-up periods during which they could experience unfavorable financial performance compared to other established stores, which could cause our results of operations and profitability to fluctuate.

As a result, we might incur additional operating expenses as we continue our expansion in these markets, resolving foreseen and unforeseen issues. Our expansion may place substantial demands on our management and our operational, technological, and other resources. There can be no assurance that our management skills, capabilities and systems will always be able to address our or the franchisees' needs at different stages of our growth. If we are not successful in these efforts, or if consumer demand does not grow sufficiently or rapidly enough to support our expansion, our results of operations, financial performance and business prospects may be materially and adversely affected.

We primarily employ a franchise model to grow our store network, under which substantially all of our stores are operated by franchisees. Our results of operations depend to a large extent on the performance of our stores, as well as our ability to maintain existing franchisees and attract new franchisees.

We primarily employ a franchise model to grow our store network. During the Track Record Period, our franchised store network continued to grow, increasing from 4,560 stores as of December 31, 2023 to 14,098 stores as of December 31, 2024, and further to 18,282 stores as of December 31, 2025. As of December 31, 2025, over 99.8% of stores in our network were operated by our franchisees. We are subject to several risks relating to our franchise business model, each of which may have a material and adverse impact on our reputation, results of operations and business prospects. These risks include, among others:

- *Revenue generated from franchised stores.* Since the number of franchised stores accounted for 99.8% of our total number of stores in 2025 and 98.0% of our revenue was derived from the sales of snack and beverage to franchised stores during the same year, our financial performance is highly dependent on the business performance of franchised stores. If our franchised stores do not achieve the expected sales, their financial results may deteriorate, which could result in, among other things, delayed or reduced purchase from us or store closures.

- *Management of franchisees.* Although we are involved in and assist with the key aspects of each store's operation, our franchisees operate independently and are ultimately responsible for the day-to-day store operations. If franchisees fail to perform their obligations under the franchise agreements or otherwise fail to comply with our requirements, policies or guidelines at all times, or fail to uphold our brand image and values, our brand image and reputation could be harmed. There is no assurance that our franchisees will always comply with our standards or terms of contract. If we fail to monitor our franchisees' performance and impose quality control over them, we may not be able to manage our store network effectively or sustain our business performance.

- *Effective operations of franchisees*. Our franchisees possess different levels of experience operating snack and beverage retail stores. They may not be able to operate effectively, efficiently or remain aligned with our commercial, operational and promotional strategies and standards. For example, our franchisees may not be able to hire and effectively train and retain qualified managers and other store operating personnel, resolve financial difficulties or achieve the expected business performance, which may in turn negatively affect our operational and financial performance. There is no guarantee that our franchisees will share our corporate culture, and they may not follow our instructions to take actions that are beneficial in the long term.

- *Litigation risk and publicity risk*. Our franchisees face various litigation risks, including, among others, consumer claims, personal injury claims, and employee allegations of improper termination. They may directly affect the profitability of our franchisees and indirectly damage the image of our franchisees or even our entire brand.

- *Retention of existing franchisees*. We may not always be able to successfully maintain our relationships with our franchisees due to many factors, some of which are beyond our control. For example, if our existing products or new products fail to attract consumers, our franchisees may experience sales declines, subpar investment returns and may terminate or choose not to renew their agreements with us.

- *Development of new franchisees*. In addition, we may not be able to attract a sufficient number of new franchisees to join our network and open stores, which could cause us to lose market share and negatively affect our future business growth.

We may not be able to offer appealing products to meet consumer needs at competitive prices.

Our business relies on consumer demand, which is diversified and constantly evolving with shifting tastes, preferences and perceptions, as well as consumers' discretionary purchasing power. Consumer demand may fluctuate due to factors such as seasonal weather changes, varying dietary preferences, release of new competing products or changes in social trends. If we are unable to maintain the popularity of our products, anticipate and respond promptly to changes in consumer preferences, or broaden our SKUs and product categories as desired, our sales performance and profitability may be materially and adversely affected.

At the same time, our ability to sustain competitive price positioning is subject to various challenges. Factors such as increases in market prices of popular snack and beverage, rising labor and logistics costs, as well as inflationary pressure, may compel us to raise prices beyond what consumers find affordable. Conversely, intensified competition or changes in market conditions may force us to lower prices, which could erode our profitability. These factors may compromise our own profitability and/or that of our franchisees, weaken our consumer appeal and market competitiveness, and in turn materially and adversely affect our results of operations, financial conditions and business prospects.

Our reputation, results of operations and financial performance may be materially and adversely affected if the quality and food safety of our products are compromised.

As we operate in the snack and beverage retail industry, quality control and food safety are of utmost importance. Given the scale of our operation, maintaining consistent quality and food safety standards, to a large extent, depends on the manufacturers we cooperate with, the design and implementation of our quality control system, the compliance with our quality assurance policies and guidelines by employees, franchisees and other third parties involved in our supply chain and store operations, and our capability to monitor and correct potential or actual violation of the policies and guidelines.

Reports of and failure to properly resolve food safety and quality incidents (both real or alleged) such as beverage- or food-borne illnesses, adulteration, contamination or mislabeling in any aspect of our business and store operations, may severely injure our reputation, hurt our sales, and possibly lead to product liability claims, litigations, fines, penalties, and/or temporary store closures. Any of these events may cause material and adverse damage to our reputation, results of operations, financial performance and business prospects.

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

The value retail for snack and beverage market, as well as the broader snack and beverage retail sector in China, is highly competitive. Our competitors include existing leading and emerging snack retailers, supermarkets, as well as potential new entrants. We are competing for prime locations, franchisees, and consumers as we grow our store network. We also compete for product suppliers and logistics service providers for the establishment of our comprehensive supply chain. This heightened competition for critical resources could limit our ability to secure advantageous locations and partnerships, potentially affecting our operational efficiency and market presence. Some of our current or future competitors may have established greater brand recognition, made more investments in product selection and innovation, imposed more competitive prices, attracted and retained larger loyal consumer bases, achieved higher penetration in certain regions, benefited from more integrated and sophisticated operating experience, or possessed greater financial, technical or marketing resources than we do. Increased competition may reduce our market share, impact brand recognition or result in reduction of our margins and even significant losses. Failure to compete effectively with competitors may materially and adversely affect our results of operations, financial performance and business prospects.

Failures, interruptions and other issues of our suppliers and other business partners along our supply chain, or of our cooperation with them, may negatively impact our results of operations.

The ability to source quality products and supplies at competitive prices in a timely manner is crucial to our business. Our suppliers may experience significant interruptions in their operations such as staffing shortages, unexpected mechanical failures, utility shortages or outages, fire, and natural disasters. They may also fail to accommodate our fast-growing business scale and meet our stringent quality control requirements. We may also not be able to maintain stable relationships with our suppliers or incentivize our suppliers to prioritize our orders before those of their other clients. If we cannot offer agreements with commercially reasonable terms to both parties, they may terminate, suspend, alter or breach the supply arrangements. Any or all of the above could lead to a delay or shortage of supplies at our stores. We cannot assure you that in any of the foregoing events we would be able to find alternative suppliers on commercially reasonable terms, on a timely basis, or at all. Any failure to do so could increase our product costs and could cause shortages of products, which will further influence the stability of our product price, thereby materially and adversely affecting our business, financial conditions and results of operations.

Any disruption to the operations of our warehousing and logistics system could materially and adversely affect our business.

As of December 31, 2025, our comprehensive warehousing and logistics system was comprised of 48 ambient warehouses as well as nine cold-chain warehouses. We cannot assure you that our current and upgraded warehouse layout may properly and efficiently serve our enlarged store network. We may also risk failing to lease and set up warehouses on commercially reasonable terms or at all. Moreover, we may not be able to recruit a sufficient number of qualified warehousing employees in connection with this expansion.

We mainly engage third parties to provide logistics services. The expansion of our store network and the increase in demand for our products may result in challenges in operating our logistics system. For example, we may not be able to cooperate with third parties to procure delivery services on commercially reasonable terms, or at all. Our delivery services may be delayed due to limited shipping capacity when facing increasing orders from franchisees, and we may be required to incur significant costs to further enhance our existing logistics facilities to handle the increasing orders. Moreover, as we continue to grow our business, our logistics system may become increasingly complex and challenging to operate. Third parties may not fully adhere to our quality standards, our demand for warehousing and logistics, or otherwise be able to support our business growth. If any of the foregoing occurs, our fulfillment capacities and operations of our logistics system may be negatively affected, which will in turn materially and adversely affect our results of operations and financial performance.

In addition, the efficient management and expansion of our warehousing and logistics system is costly and may strain our managerial, financial, operational and other resources. If we fail to manage such expansion successfully, our results of operations, financial performance and business prospects may be materially and adversely affected.

If we or our franchisees are not able to obtain desirable store locations or secure renewal of existing leases on commercially reasonable terms or at all, our store expansion and operation may be materially and adversely affected.

The sites where our existing or potential franchisees establish stores have a significant impact on the operation results of such stores, the overall layout and the expansion plan of our store network. We cannot assure you that our franchisees can enter into new lease agreements for desirable locations or renew existing lease agreements on commercially reasonable terms, which could force our franchisees to close or relocate to less favorable locations, or cease operations altogether, and our results of operations, financial performance and business prospects may be materially and adversely affected.

We may not be successful in enlarging our membership base and our ability to leverage our membership programs may be limited.

Our membership operations are important to our business. Our registered members increased from 38 million at the end of 2023 to around 190 million by December 31, 2025. Members have become a key driver of our business, contributing approximately 79% of GMV in 2025. We cannot predict with certainty the extent to which our consumers will join such membership programs in the future. There is no assurance that the membership programs will be effective in retaining existing consumers or increasing their purchases, or that the membership programs will not adversely affect the purchases by consumers who do not become members. As a result, our business may be materially and adversely affected.

The continued appeal of our brands is critical to our success. If our brand recognition and value diminish, our results of operations, financial performance and business prospects may be materially and adversely affected.

The recognition and continued appeal of our brands, especially our nationwide brand *Haoxianglai*, among consumers is critical to the success of our business. If we cannot maintain, protect and enhance our brand recognition, our brand value and image could be undermined, and our results of operations and business prospects could be materially and adversely affected.

Our ability to launch or improve products with consistently high quality that is best tailored to consumer needs and our ability to uphold and implement stringent food safety and quality control standards are essential in maintaining and potentially enhancing our brand equity. Our brand equity is further enhanced if we are able to create benefits for all stakeholders, including our franchisees, suppliers, other business partners and employees. Our brand value may be affected by many other factors, some of which are beyond our control. For example, any negative publicity with or without merits, relating to our products, operations, shareholders, management, employees, franchisees, suppliers and other business partners, and the food and beverage industry in general, could materially and adversely affect consumer perceptions of our brands and result in a decline in demand for our products. Our failure to maintain any of the above efforts or mitigate any of the above risks could lead to a decline in our brand value, which could materially and adversely affect our results of operations, financial performance and business prospects.

We may evaluate and potentially explore new business opportunities, execute growth strategies, enter into new markets, and/or consummate strategic investments or acquisitions, which may turn out to be unsuccessful or not as expected and our results of operations and financial performance may be materially and adversely affected.

We seek and will continue to explore opportunities to grow our businesses, such as building or acquiring new brands, consolidating existing brands, procuring and developing new products, upgrading store formats, and exploring new business initiatives. However, our exploration of new business opportunities may not be successful due to various reasons such as lack of market acceptance, inefficiency in operations and management, and unsuccessful branding strategies. Additionally, to complement our business and strengthen our market position, we may form strategic partnerships or make strategic investments or acquisitions from time to time. We are subject to multiple types of risks, including valuation risk, risk in integrating our operations and management with the newly invested or acquired businesses, and the risk that we may be unable to realize the expected levels of anticipated benefits, synergies, cost savings and/or efficiencies. As a result, we cannot assure you that our initiatives in exploring new business opportunities, entering into new markets, investments or acquisitions will benefit our business operations, generate sufficient revenue to offset the associated costs, or otherwise result in the intended benefits.

We may incur substantial expenses in connection with our branding and marketing activities. If we fail to conduct such activities in a cost-effective manner or at all, our business, financial condition and results of operations may be materially and adversely affected.

To promote our brand recognition and enhance our brand value, we invested in our brands with comprehensive and targeted online and offline branding and marketing activities during the Track Record Period. In 2023, 2024 and 2025, our marketing and promotional expenses amounted to RMB50.7 million, RMB184.4 million and RMB244.2 million, respectively. We expect to continue our investments in branding and marketing activities, exploring marketing approaches to keep abreast of evolving industry trends and consumer preferences. However, we cannot guarantee that our marketing or promotional approaches may always be as effective as we expect. For example, our crossover collaborations with third-party partners may underperform. Consumers or other parties may claim that our marketing approach is misleading or otherwise improper, and we may be subject to lawsuits or other legal proceedings. If we cannot continue or replace ineffective campaigns with successful marketing campaigns, the consumer confidence we have established may be significantly undermined and our results of operations, financial performance and business prospects may be materially and adversely affected.

Our investment in digitalization and technologies may not yield the intended results.

Historically, we have invested significantly in developing our self-developed digital systems that empower and enhance major aspects of our business, from supply chain management to daily store operation. See "Business — Digitalization." As part of our business strategy, we intend to continue investing in the development and upgrade of our digital systems to fully digitalize all parts of our business. We cannot assure you that our investments in technology will generate sufficient returns or have the expected effects on our business operations. If our investments in technology do not materialize as expected in the short term, or at all, our results of operations, financial conditions and business prospects may be materially and adversely affected.

Any adverse publicity, significant liability claims or consumer complaints involving our products, services or store operations may have a negative impact on our business, financial conditions and results of operations.

There might be consumer complaints and negative publicity regarding food safety issues in our stores. From time to time, criticisms, complaints and negative media coverage, regardless of their veracity, may result in negative publicity, which could result in government inquiries or harms to our reputation and brand, and may materially and adversely affect our business. We may not be able to react to the reports, criticism, complaints, or other negative publicity related to food safety and hygiene in a timely manner, and our responses or actions taken in response may not be effective. As a result, our brand image may be tarnished, our sales may be affected, and we may potentially face liability claims, litigations, damages, regulatory investigations, penalties or sanctions. In addition, instances of food safety issues, even those that do not involve our stores or products at all, could cast a shadow on the snack and beverage retail industry and edible fungi industry in general, which in turn could materially and adversely affect us on a regional or national level. There is no guarantee against future consumer complaints or public scrutiny, which could have a material and adverse impact on our reputation, business and prospects.

In addition, any complaints or claims against us, even if meritless or unsuccessful, may divert management attention and other resources from our business and adversely affect our business and operations. Consumers may lose confidence in us and our brands, which may adversely affect our business and results of operations. Furthermore, adverse publicity including but not limited to negative online reviews on social media platforms, industry findings or negative public or medical opinions, or government inquiries about the health effects of consuming snack and beverage, food quality, safety, public health concerns, illness, whether or not accurate, and, whether or not concerning our products, can materially adversely affect our business, results of operations and reputation.

Opening new stores in existing markets may not result in the expected level of growth in our revenue and profit, and our business, financial conditions and results of operations may be materially and adversely affected.

In addition to entering new markets, we continue to increase our penetration in markets where we have existing stores. As we continue to open new stores in existing markets, we cannot assure you that these new stores, or our store network as a whole, will perform in line with our expectations. As a result, the expansion may not generate the anticipated growth in revenue or profit, and our business, financial conditions and results of operations may be materially and adversely affected.

We face the risk of shortages, disruptions, price fluctuations and/or quality issues in some raw materials for snack and beverage, which could materially and adversely affect our results of operations and financial performance.

Although we do not directly manufacture snack and beverage, certain raw materials used to produce snack and beverage are subject to price volatility caused by external conditions, such as market supply and demand, changes in governmental policies and natural disasters. Therefore, price fluctuations in our raw materials may indirectly but substantially affect our costs and therefore our business performance. If raw material prices increase significantly for any reason, we may incur additional costs to secure sufficient supply of snack and beverage, or resort to alternative suppliers for such products. However, we may not be able to find any alternative suppliers, and we may not be able to successfully pass on such price increases to franchisees or consumers to mitigate impact on our business. If any of the foregoing occurs, our results of operations and financial performance could be materially and adversely affected.

We incurred net loss and net current liabilities during the Track Record Period.

We recorded loss for the year of RMB176.2 million in 2023, primarily due to an increase in selling and distribution costs and administrative expenses to support the rapid scale-up of our snack and beverage retail business. We expect to maintain a high level of investment in our operations, including continuing to grow our store network, enriching our product offerings and recruitment of qualified personnel. We may also incur substantial administrative expenses associated with our growth, including costs related to operating as a [**REDACTED**] after the [**REDACTED**]. However, there is no assurance that our revenue will grow at a pace sufficient to offset these rising expenses. If we fail to effectively grow our customer base and store network, attract end consumers, implement competitive pricing strategies, control raw material costs, optimize sales and marketing efficiency, or improve our operational productivity, our financial performance could be adversely affected. In addition, unforeseen changes in customer demand, investments, acquisitions, or capital expenditures, substantial shifts in the competitive or regulatory landscape, or significant costs could further reduce our revenue. As a result, there is no guarantee that we will not incur net loss in the future.

We recorded net current liabilities of RMB289.5 million as of December 31, 2023. Our net current liabilities may expose us to certain liquidity risks. Net current liabilities may constrain our operational flexibility and adversely affect our ability to expand our business. If we are unable to maintain sufficient working capital to meet our financial needs internally, we may need to pursue external funding. A failure to secure additional financing on acceptable terms, or at all, may force us to delay or abandon development and expansion plans. As a result, our business, financial position, and operating results may be materially and adversely affected.

Failure of inventory management may have a material and adverse effect on our business.

We had inventories of RMB685.5 million, RMB2,099.0 million and RMB2,313.9 million as of December 31, 2023, 2024 and 2025, respectively. During the Track Record Period, our inventories consisted of (i) inventories related to our snack and beverage retail business, comprising of finished goods and (ii) inventories related to our edible fungi business, including raw materials and goods-in-transit.

As we scale up, we depend on proper demand forecasts to make procurement and production planning to better manage our inventories. Such demand, however, can change significantly between the points of time inventories are ordered and the date by which we plan to sell them. Demand may be affected by changes of competitive landscape, seasonality, new product launches, pricing and discounts, changes in consumption patterns, tastes and other factors. In addition, as we develop and market a new product, we may not be successful in establishing stable and favorable supplier relationships or accurately forecasting consumer demand. The procurement of certain types of inventories may require significant lead time and prepayment which may not be returnable.

If we overestimate demand for our products and fail to manage our inventories effectively, we may be subject to excessive warehousing and logistics costs, heightened risks of inventory obsolescence, decline in inventory value, and significant inventory write-offs. If we underestimate demand for our products, or if our suppliers fail to supply quality products in a timely manner, we may experience inventory shortages, which might result in loss of revenue. Any of the above may materially and adversely affect our results of operations and financial performance.

We are subject to various risks relating to third-party payment arrangements.

During the Track Record Period, some of our franchisees (individually or collectively, the "**Relevant Franchisees**") settled their payments with us through accounts of third-party payors designated at the choices of the Relevant Franchisees (the "**Third-Party Payment Arrangement(s)**"). See "Business — Customers — Third-party Payment Arrangements." As of June 30, 2025, we had ceased all Third-Party Payment Arrangements.

We face various risks associated with the Third-Party Payment Arrangements during the Track Record Period, including (i) possible claims from third-party payors seeking returns of funds as they were not contractually indebted to us, (ii) potential claims from liquidators of such third-party payors, and (iii) potential money laundering risks due to our limited knowledge about the source and purpose of funds used by third-party payors. In case of claims or legal proceedings, whether civil or criminal, demanding payment return or alleging violation of laws, we would need to allocate significant financial and managerial resources for defense. Compliance with court rulings may result in returning payments for products and services sold to franchisees, which may materially and adversely affect our business, results of operations and financial conditions.

We are subject to credit risks of some of our business customers.

As of December 31, 2023, 2024 and 2025, we had trade receivables from third parties of RMB28.9 million, RMB21.7 million and RMB14.2 million, respectively. Adverse changes in those third parties' financial conditions may be challenging for us to detect and monitor, and may negatively affect the length of time to collect associated trade receivables or the likelihood of ultimate collection, which would in turn have a material and adverse effect on our results of operations, financial performance and business prospects.

We are subject to risks in relation to the cooperation with third-party partners.

We cooperate with various third-party partners to promote our daily business and store operations. For example, we cooperate with third-party online platforms, including but not limited to social platforms, to reach, acquire and interact with consumers, and engage in integrated online marketing and branding campaigns. Consumers may purchase products at our stores using a variety of payment methods through third-party online payment service providers, including WeChat Pay, Alipay and various online bank payment systems. We also engage professional third-party consulting firms and collaborate with IP licensors for the execution of our marketing campaigns. From time to time, we also enter into certain collaborations, such as incorporating joint ventures, with third-party business partners. There are certain risks associated with collaborating with these third-party partners, some of which may be beyond our control, including, among others:

- *Risks associated with third-party online platform*. The third-party online platform may leak, misappropriate or misuse personal information of our consumers or otherwise breach network security, and as a result, we may be subject to business disruption, increased operating expenses and consumer litigation.

- *Risks associated with third-party payment method*. There may be incidents of fraud, security breaches and other illegal activities in connection with those payment methods which are not resolved timely and effectively. Our stores may fail to comply with rules, regulations and requirements governing electronic fund transfers and be subject to increased operating expenses, fines, or the loss of ability to use third-party payment methods.

- *Risks associated with third-party agencies or other partners*. For instance, third-party consulting firms may fail to execute our marketing campaign strategies effectively or efficiently. We may also be unable to reach collaborative relationship with intended IP licensors.

If we fail to anticipate, manage or mitigate any of the above risks, our business, financial conditions and results of operations could be materially and adversely affected.

Misconducts, fraudulent and illegal actions, or other negative incidents of our shareholders, suppliers, business partners, and other third parties and/or stakeholders, or perception that these may have occurred could materially and adversely affect our reputation, results of operations, financial performance and business prospects.

We may fail to prevent, detect and deter crimes, illegal actions or misconducts that fail to comply with applicable laws, regulations and our internal rules and standards committed by our suppliers, service providers, business partners, and other third parties and/or stakeholders. For example, no matter whether we are at fault or not, we might also be subject to reputational risks or other risks related to information regarding us or our other stakeholders. See "Appendix IV Statutory and General Information — Further Information About Our Directors, Chief Executive And Substantial Shareholders — Remuneration of Directors" for example. In addition, the failure of our suppliers to ensure product quality or to comply with food hygiene and safety standards, the failure of our logistics partners to promptly and properly deliver our products or any inappropriate actions taken by delivery riders might cause consumer complaints and governmental investigations. Our business partners may fail to comply with applicable laws and regulations and our protocols, or engage in other misconducts, and our results of operations may be materially and adversely affected. Such acts could subject us to financial losses, government investigations and sanctions, other legal liabilities and proceedings, and may have a material and adverse effect on our results of operations and business prospects.

In the event that we become subject to claims caused by actions taken by or unsatisfactory performance of our suppliers, service providers, business partners, and other third parties and/or stakeholders, we may seek compensation from or take other actions against the relevant third parties and/or stakeholders. However, such compensation may be inadequate to cover our actual losses. We may be required to bear the uncompensated portion of such losses at our own costs, which could have a material and adverse effect on our results of operations, financial performance and business prospects.

Our product sales and business operations may be influenced by seasonal fluctuations.

Our snack and beverage retail business is subject to seasonal fluctuations. In terms of consumer needs, holidays, such as Chinese New Year, summer vacation of schools, and the National Day, drive consumer traffic and growth in family gathering-oriented snacks. Overall, as purchases of snack and beverage are daily affordable activities, we do not experience material seasonal fluctuations.

Our edible fungi business is also subject to seasonal fluctuations. From late autumn to early spring, due to cooler weather, more holidays and lower supply of green vegetables, the purchasing frequency of edible fungi often increases. By contrast, from late spring to early autumn, fewer holidays and ample supply of green vegetables often lead to a decrease in the consumption of edible fungi.

Going forward, we expect our business expansion, financial conditions and results of operations to continue to fluctuate over the course of a full financial year. Sales and operating results between different periods within a financial year, between the same periods in different financial years, or between different financial years may not necessarily be comparable. You should not rely on interim results as being indicative of the results we may expect for the full years.

Changes in the labor market, rising labor costs or any potential labor issues may have a material and adverse impact on our results of operations, financial information and business prospects.

Due to the nature of our business, it is crucial to hire and retain a stable, dedicated and capable workforce. Any failure to retain qualified employees by us or our franchisees and any material increase in staff turnover rate may lead to disruption to our business operations. The labor market has become increasingly competitive, and we compete with existing and emerging competitors, and companies from other labor-intensive industry for employees. We and our franchisees also face significant increases in labor costs due to increases in salaries, social benefits and employee headcount. In 2023, 2024 and 2025, our staff costs were RMB600.7 million, RMB1,172.5 million and RMB1,493.0 million, respectively. We cannot guarantee that we will continue to offer competitive remunerations and benefits. If we are unable to manage and control our labor costs, our results of operations, financial conditions and business prospects may be materially and adversely affected.

We may require a substantial amount of capital to support our operations and respond to business opportunities.

We may require cash resources in addition to cash generated from operating activities to finance our business expansion, continued growth or other future developments. In particular, we may not be able to maintain our current healthy level of cash conversion cycle, which could result in higher working capital needs and require us to seek additional fundings to support our operations and expansion. We may not be able to obtain such financing on commercially reasonable terms, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including, but are not limited to our future financial conditions, results of operations and cash flows; market conditions for capital raising and debt or equity financing activities; and general economic, social, political and other conditions.

If we raise additional funds through equity sources, your equity interest in us may be diluted. Alternatively, if we raise additional funds by incurring debt obligations, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. In case of default, creditors are usually repaid before our shareholders. If we cannot obtain sufficient capital on acceptable terms, our financial performance and business prospects may be materially and adversely affected.

Our insurance coverage may not be sufficient to cover all losses, which may have a material and adverse effect on our reputation, results of operations, financial performance and business prospects.

We purchase and maintain insurance policies that we believe are customary for businesses of our size and type and as required under the applicable laws and regulations. See "Business — Insurance." However, we may be unable to renew our insurance policies or obtain new insurance policies without increases in costs or decreases in coverage levels. We also cannot guarantee that our insurance policies will provide adequate coverage for all the risks in connection with our business operations, nor can we assure you that our franchisees will adhere to our requirements regarding insurance coverage. In addition, we may also encounter disputes with insurance providers regarding payments of claims that we believe are covered by our policies. If we are held liable for amounts and claims exceeding the limits or beyond the scope of our insurance coverage, we may incur significant costs and be forced to divert our resources to cover the uninsured losses, which could have a material and adverse effect on our financial conditions and results of operations.

Our success depends on the continuous and joint efforts of our senior management team and key and talented personnel. If we fail to employ, train, retain or motivate our experienced and capable staff or to optimize our organizational structure, our business may be materially and adversely affected.

Our future success is significantly dependent upon the continued service and performance of our senior management team as well as experienced and capable personnel. If we lose the services of any member of the senior management team, we may not be able to locate suitable or qualified replacements and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth. If any of our senior management team or key employees joins a competitor or forms a competing business, we may lose business opportunities, know-how and key professionals and staff members.

Our rapid growth also requires us to hire, train, retain and motivate a wide range of talents who can adapt to a dynamic, competitive and challenging business environment. We may incur significant costs and expenses in attracting, training, retaining or motivating key employees and senior management and we cannot guarantee that they will always lead to desirable results. We may need to offer attractive compensation and other benefit packages, including share-based compensation, to attract and retain them. We also need to provide our employees with sufficient trainings to help them realize their career development goals. Failure to achieve any of the foregoing could materially and negatively affect our results of operations, financial conditions, brand reputation, or results of operations.

We may face negative publicity concerning the brand ambassador, key opinion leaders and celebrities whom we engage to market and sell our products.

We engage brand ambassadors, key opinion leaders and other celebrities to promote our brands and market our products through both online and offline media. However, we cannot assure you that their endorsements or advertisements will remain effective and compatible with our brand values. Neither can we assure you that they will remain popular, or their public image will remain positive. Any deterioration in their images, misconducts or inappropriate statements would significantly tarnish our brand image and equity. In such cases, we may not be able to find suitable alternatives in a timely or cost-effective manner, or at all. In addition, we incur costs in removing, updating and replacing relevant packaging, advertising and marketing materials, which may incur additional expenses or take additional time. If any of these situations occur, our business, financial conditions and results of operations could be materially and adversely affected.

There is uncertainty about the applicability or recoverability of our deferred tax assets.

We had deferred tax assets of RMB74.6 million, RMB95.1 million and RMB62.1 million as of December 31, 2023, 2024 and 2025. We recognize deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. See Note 3 and Note 19 to the Accountants' Report included in Appendix I to this Document for further information on our accounting policy with respect to deferred tax assets and on the movements of our deferred tax assets during the Track Record Period.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Our management judgments may not always be precise, and we may need to adjust our tax provisions accordingly. Furthermore, we cannot predict any future movements in our deferred tax assets and to what extent they may affect our financial positions in the future. Any of these events may have a material and adverse effect on our business, financial conditions and results of operations.

Changes or uncertainties in tax treatments or government grants may materially and adversely affect our results of operations and financial performance.

During the Track Record Period, we received certain government grants and preferential tax treatments accordingly to relevant policies. We and our certain subsidiaries are engaged in agriculture and entitled to tax exemption on agricultural products. Additionally, we recorded income from government grants of RMB7.4 million, RMB105.6 million and RMB140.0 million in 2023, 2024 and 2025, respectively. Government grants are recognized when there is reasonable assurance that they will be received and we will comply with the conditions attached. The grant of any preferential tax treatments and government grants is subject to the discretion of and our continued eligibility is subject to the recognition and evaluation by the relevant governmental authorities in China.

We cannot assure you that we will continue to receive such preferential tax treatments and government grants at historical levels, or at all. We are also subject to risks of uncertainties in tax treatments, such as development in tax laws and regulations or practices of local tax authorities in the countries, regions or municipalities where we have operations. Such changes or uncertainties in tax treatments or government grants may adversely affect our results of operations and financial performance.

We face foreign exchange risks. Fluctuations in exchange rates could have a material and adverse effect on our results of operations and financial performance.

Changes in exchange rates may materially and adversely affect our results of operations and financial performance. We also anticipate that the fluctuation of foreign exchange rates may impose a greater influence on our business in light of our potential overseas expansion.

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 PRC subsidiaries. Fluctuations in exchange rates between the Renminbi and other currencies may be affected by, among other things, changes in political and economic conditions and developments and may affect our financial results.

If we are unable to fulfill our obligations in respect of financial liabilities, our business, reputation and liquidity position may be materially and adversely impacted.

During the Track Record Period, we recorded financial liabilities which comprised of trade and bills payables, other payables and accruals, lease liabilities and interest-bearing borrowings. See "Financial Information — Discussion of Selected Items from Our Consolidated Statements of Financial Position." As of December 31, 2025, our trade and bills payables, financial liabilities included in other payables and accruals, lease liabilities and interest-bearing borrowings amounted to RMB3,074.8 million, RMB1,285.0 million, RMB275.2 million and RMB1,795.1 million, respectively. If we are unable to fulfill our obligations under the financial liabilities, we may not be able to maintain our relationships with suppliers, banks, members or other parties. For example, if consumers request refunds of unused membership card balances while the relevant funds in the regulatory account are not released to us in a timely manner, our liquidity risk may increase.

Regulatory requirements regarding data protection and information security are constantly evolving, the changes of which or any data protection and information security incidents may have a material and adverse effect on our business and results of operations.

In the ordinary course of business, we from time to time collect, store and use certain personal information of our employees, franchisees and their employees, consumers and other individuals. For details, see "Business — Data Privacy and Security." As a result, we are subject to laws and regulations relating to the collection, storage, use, processing, transmission, retention, security and transfer of personal information and other data. Any improper handling of personal information or any other information security incidents, such as unauthorized access to, misuse or misappropriation of our consumer data, could result in reputation damage and/or civil or regulatory liabilities that may have significant legal, financial and operational consequences.

During the Track Record Period and up to the Latest Practicable Date, we had complied with applicable laws and regulations related to data protection and information security in all material aspects. However, we cannot guarantee that our efforts to protect our consumers' personal information may always be sufficient or effective. The interpretation and application of regulatory requirements regarding data security and protection are constantly evolving. Complying with emerging and changing legal requirements may cause us to incur substantial costs or require us to modify our business practices.

Any significant changes in food safety and quality, retail store operation and hygiene regulations and policies could materially and adversely affect our business.

We operate our business in China and shall comply with the applicable PRC laws and regulations of food safety. Such regulations set out, among others, the safety standards for food and food additives, packaging and containers, the information required to be disclosed on the packages, and the regulations on food operating and siting and sale of food. In recent years, the governmental authorities have reiterated their focus on food safety supervision and enacted a series of laws, regulation and standards concerning food safety. See "Regulatory Overview" for detailed discussions of the applicable laws and regulations. If laws and regulations in China on food safety further evolve, our compliance costs may increase, and we may not be able to successfully pass on the additional costs externally, which will have a material and adverse impact on our financial performance and business prospects.

Failure to make lawful and continuous contributions of social insurance and housing provident funds may subject us to fines and other administrative sanctions imposed by relevant governmental authorities.

Pursuant to applicable PRC laws and regulations, employers are obligated to directly and duly contribute to the social insurance and housing provident funds for their employees. During the Track Record Period, we had not made social insurance and housing provident funds for some of our employees in full in accordance with the applicable PRC laws and regulations. See "Business — Employees — Social Insurance and Housing Provident Fund" for details.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), for the shortfall of social insurance, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period and to pay a daily overdue charge of 0.05% of the delayed payment amount, and (ii) to pay a fine of one to three times of the overdue amount if such payment is not made within the stipulated period. Under the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), for the shortfall of housing provident funds, we may be required to compensate for the shortfall within a prescribed period. If the payment is not made within such time limit, courts may issue compulsory enforcement upon us to make the payment. Furthermore, we might be subject to additional contribution, late payment fee and/or penalties imposed by the relevant authorities if the third-party human resource agency fails to pay social insurance or housing provident funds for the relevant employees in full amount and/or in a timely manner, or if the validity of such arrangements are challenged by relevant authorities. We might also be subject to potential labor disputes arising from such arrangements with the relevant employees.

We cannot assure you that the relevant governmental authorities will not require us to pay the shortfall amount and impose late fees or fines, pecuniary penalties or other administrative actions on us. If we are otherwise subject to investigations related to such incidents related to labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our results of operations, financial performance and business prospects may be materially and adversely affected.

We and our franchisees require various approvals, licenses and permits to operate our business. Loss or failure to obtain or renew any or all of these approvals, licenses and permits could materially and adversely affect our results of operations and business prospects.

In accordance with laws and regulations, we and our franchisees are required to maintain various approvals, licenses and permits to operate business and stores, respectively. These approvals, licenses and permits are granted upon satisfactory compliance with, among other things, the applicable laws and regulations in relation to business operation, food safety, hygiene, environmental protection and fire safety. For example, certain of our stores are required to complete fire safety acceptance, related filings, and pass fire safety inspections. During the Track Record Period, some of our stores had not completed such inspections, acceptance or filings. Each store that fails to complete the required filing may be subject to a fine of up to RMB5,000, while each store that fails to pass the fire safety inspection may be subject to a fine ranging from RMB30,000 to RMB300,000. Certain approvals are only valid for a fixed term and we may fail to renew relevant approvals and licenses. See "Business — Properties and Facilities — Leased Properties", "Business — Licenses, Approvals and Permits — Fire Safety" and "Regulatory Overview — Food Safety and Production — Food Safety — Food Production and Operation Licensing."

Pursuant to the franchise agreements between our franchisees and us, our franchisees are responsible for the validity and effectiveness of the pre-requisite approvals, licenses and permits for operating their franchised stores, and the franchisees shall bear any liabilities arising from non-compliance in this regard as well as compensate us for any consequential damages. Our franchisees may experience difficulties, delays or failures in obtaining the necessary approvals, licenses and permits for new stores. In addition, our franchisees are also subject to periodic examinations or verifications by relevant authorities and some of the approvals, licenses and permits are valid only for a fixed period subject to renewal and accreditation. There can be no assurance that our franchisees will be able to renew all the pre-requisite approvals, licenses and permits promptly or at all. If any of these occurs, the ongoing business operations of our relevant franchised stores could be interrupted or terminated.

We devote substantial efforts and resources for compliance. Non-compliance may expose us to regulatory actions such as corrective actions ordered by regulatory authorities, fines and suspension of business operations. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time and resources to resolve any deficiencies. If a material number of franchised stores are subject to such non-compliance and related penalties or temporary closure, our business operations may be disrupted, and our financial conditions and results of operations may be materially and adversely impacted as a result. We may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our financial conditions and business prospects.

We and our franchisees are subject to risks in relation to leased properties.

We and our franchisees may be subject to a number of risks in relation to the leased properties in the ordinary course of the business, including but not limited to the following: (i) we and our franchisees may not be able to renew existing lease agreements at commercially reasonable terms, especially for stores in locations with a high volume of consumer traffic; (ii) we and our franchisees may also be exposed to risks of unexpected early lease termination at the request of the lessors or other reasons out of our control, which may result in store closures if we and our franchisees are not able to identify suitable alternative premises on acceptable terms to relocate in a timely manner; and (iii) our or our franchisees' profitability may be materially and adversely affected by any substantial increase or fluctuation in local rental prices of the regions or countries where we have established business presence.

As of December 31, 2025, we leased properties in China from third parties, mainly for warehouses, offices and self-operated stores, and franchisees leased properties mainly for the operation of franchised stores. Certain lessors with whom we entered into lease agreements did not provide the valid title certificates and/or authorizations from the property owners for the lessors to sublease the properties, and we cannot ensure that they have the rights or authorizations to lease or sublease such properties to us. Certain lease agreements had not been registered and filed with the relevant land and real estate administration bureaus in the PRC. See "Business — Properties and Facilities — Leased Properties" for details.

Due to the above reasons, we and our franchisees may need to find alternative locations for our stores with equal or similar commercial attractiveness of the original locations, and at commercially reasonable terms in a timely manner. Failure to do so would have a material and adverse impact on the operations of such stores and our results of operations.

We, our shareholders, our directors, management, employees, business partners, franchisees and their employees are exposed to the risks of litigations, regulatory investigations and proceedings, claims or allegations such as those related to food safety, commercial disputes, customer relations, intellectual properties, labor and employment matters, antitrust or securities issues, and we may not always be successful in our defense against such claims or proceedings.

We face potential liabilities, expenses for legal claims and regulatory risks due to the nature of our business. For example, consumers may assert legal claims against us in connection with personal injuries related to food safety issues and governmental authorities may conduct regulatory investigations in response to any significant consumer complaints or public outcry. Sales of defective food and beverage may expose us to liabilities associated with consumer protection laws. We may also be held liable if our franchisees, suppliers or other business partners fail to comply with applicable food-safety related rules and regulations, regardless of whether the food safety incident is caused by us. While we may seek compensation from the responsible parties, the insurance or indemnification may not be available or sufficient to compensate us for our financial or reputational losses. In addition, we, our shareholders, our Directors, management, employees, business partners, franchisees and their employees may from time to time be subject to litigation and regulatory investigations and proceedings or otherwise face potential liabilities and expenses for various matters, such as commercial, labor, employment, antitrust or securities matters, which could materially and adversely affect our reputation and results of operations.

We may become subject to claims, allegations or disputes brought by our dissenting shareholders, competitors, customers, business partners or other individuals or entities. Any such claims, allegations or disputes, with or without merit and any actual or perceived unfair, unethical, or inappropriate business practices by us or malfeasance by our management could significantly disrupt our daily operation by diverting time of the our management and resources, harm our reputation, and negatively affect the [**REDACTED**] of our Shares.

After we are [**REDACTED**] on the Hong Kong Stock Exchange, we may face additional exposure to claims and lawsuits. These claims could divert management's time and attention away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. In some instances, we may elect or be forced to pay substantial damages if we are unsuccessful in our efforts to defend against these claims, which could harm our results of operations, financial performance and business prospects.

We may infringe upon, misappropriate or otherwise violate the intellectual property rights of third parties.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate intellectual property rights held by third parties. We may be subject to legal proceedings and claims relating to the intellectual property rights of others in the future. There could also be existing intellectual properties of which we are not aware that our products may inadvertently infringe. If we are found to have violated the intellectual property rights of others, we may be subject to liabilities for our infringement activities or may be prohibited from using such intellectual properties, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses and may be forced to divert management time and other resources from our business and operations to defend against these infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially and adversely disrupt our business and operations by restricting or prohibiting our uses of the intellectual properties in question, and our results of operations, financial performance and business prospects could be materially and adversely affected.

If we are not able to adequately protect our intellectual properties, our business will be materially and adversely affected.

The continued ability to use our trade names, trademarks and self-developed technologies is essential to the success and competitiveness of our brands. Any unauthorized reproduction of our trademarks could diminish the value of our brands and their market acceptance, competitive advantages or goodwill. If the operations of third parties who used or imitated our trademarks or business names without our authorization result in adverse effects on consumers, we may be associated with negative publicity as a result. Any misappropriation of our proprietary knowledge will unfairly deprive us of our competitive edge stemming from, for example, the digitalization of our supply chain.

Securing our intellectual property from unauthorized use is rather challenging, costly and time-consuming. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material infringement of our intellectual properties. However, while we implement measures to protect our intellectual property rights, there is no guarantee that these measures will be sufficient to prevent, detect or correct third-party infringements. Inadequate protection on our intellectual property rights could result in infringement or the loss of these rights and exert material and adverse impact on our business. In the future, we may, from time to time, need to institute litigation proceedings to safeguard and enforce our intellectual property rights, which could result in substantial costs and diversion of management attention and resources, materially and adversely impacting our sales, profitability and business prospects. Even if we prevail in these litigations, we may not be able to successfully enforce the judgment and collect remedies awarded by the court and the court-awarded relief may fall short of compensating us for our actual or anticipated losses, whether tangible or intangible.

Our results of operations and financial performance may be materially and adversely affected by adverse and extreme weather conditions, natural disasters, public health issues, political events, war, terrorism, and other catastrophes.

Extreme weather conditions, natural disasters, public health issues, political events, war, terrorism, and other catastrophes, particularly in locations where a large number of stores are situated, could curtail our ability to run the business. As a result, we may have to incur substantial additional expenses and our results of operations and financial performance may be materially and adversely affected. For instance, our business is also dependent on proper and sufficient warehousing and prompt delivery of products to our stores. Extreme weather conditions such as destructive storms, drought, extreme temperatures, natural disasters such as earthquakes, forest fires and floods, severe traffic accidents or delays and labor strikes could also lead to warehouse interruptions and delayed or lost deliveries of products to our stores. Malfunction of refrigeration facilities caused by power failures and other events may spoil our inventories.

In addition, fires, floods, earthquakes and terrorist attacks may force evacuations and halt store operations, which may also prevent our stores from providing products and services to consumers, thereby affecting our business and tarnishing our brand. In addition, pandemics and other public health crises can likewise introduce sharp swings in consumer demand and business performance. These events are beyond our control, and we cannot assure you that similar events will not happen in the future. Our future responses to these events and other preventative measures may not always be effective.

Our results of operations are subject to biological asset fair value adjustments, which can be highly volatile and are subject to a number of assumptions.

We generate a small portion of revenue from edible fungi business. Our biological assets consist of our edible fungi products. Biological assets are measured at fair value less costs to sell as at the valuation dates and our edible fungi are transferred to inventory at fair value less cost to sell at the point of harvest. Changes in fair value of biological assets are recognized in profit or loss in the year in which they arise.

Our revenue from edible fungi business amounted to 5.8%, 1.7% and 1.2% in 2023, 2024 and 2025, respectively. As a result, our results of operations had been affected by biological asset fair value adjustments on our edible fungi produce. In 2023, the fair value change of biological assets reflected in other gains and losses was downward movement of RMB5.6 million. In 2024 and 2025, the fair value changes of biological assets reflected in other gains and losses were upward movements of RMB26.1 million and RMB108.2 million, respectively. For details on the biological asset fair value adjustments, see the section headed "Financial Information — Biological Asset and Valuation." Biological assets are stated at fair value less cost to sell, and the edible fungi are accounted for as biological assets until the point of harvest. Harvested edible fungi are transferred to inventory at fair value less cost to sell when harvested. See Note 21 to the Accountants' Report included in Appendix I to this Document for further information on determining the fair value of biological assets. In 2023, 2024 and 2025, the fair value changes of biological assets reflected in cost of sales were RMB25.9 million, RMB17.2 million and RMB105.5 million, respectively.

Selling prices for the edible fungi products could be highly volatile and susceptible to significant fluctuations from period to period. As a result of revaluations of our biological assets from period to period, our financial positions and results of operations may change significantly from period to period. In addition, an increase or decrease in selling prices for edible fungi products will increase or reduce our revenue and gains or losses arising from changes in fair value less costs of disposal of biological assets, which could make our reported profit more volatile. We cannot assure that the fair value of our biological assets will not decrease in the future, which in turn will adversely affect our financial results.

During the Track Record Period, the fair value of our biological assets at the end of each reporting period was determined by an independent professional valuer, using a number of assumptions that may vary from time to time. We intend to continue to engage an independent professional valuer to determine the fair values of our biological assets going forward. The fair value of the biological assets could be affected by, among others, the accuracy of those assumptions, as well as the quality of our edible fungi products as compared to other edible fungi products. Therefore, the resulting adjustments can be highly volatile. These assumptions may be more favorable than the actual historical rates. In addition, while these assumptions as adopted in the valuation process have been in line with the actual results, we cannot assure you that there will be no significant deviation in the future. For details on the valuation and the application of various assumptions, see the section headed "Financial Information — Material Accounting Policies, Critical Accounting Estimates and Judgment — Biological Asset." In particular, upward adjustments and gains so recognized do not generate any cash inflow for our operations. As a result, when evaluating our results of operations and profitability, you should consider our profits and margins without taking into account the effects of these biological assets fair value adjustments.

Although we may recognize fair value gains from increases in the fair value of our biological assets, these changes will not represent changes in our cash position as long as the relevant assets continue to be held by us.

We are subject to the following risks relating to cultivation, processing, and distribution of edible fungi.

Our edible fungi business is subject to, among others, the following risks: (i) the edible fungi market is highly competitive, and we may lose market share if we fail to compete effectively; (ii) the cultivation, processing, storage and distribution of edible fungi are exposed to climate change and agricultural risks such as bacterial and microbial contamination as well as pests and diseases. Any compromise in product quality or food safety could materially and adversely affect our operations and financial performance; (iii) we may not be able to continuously enhance the agricultural technologies applied in the cultivation of edible fungi; (iv) disruptions to our cultivation or production facilities could materially and adversely impact our business, operating results and financial performance; (v) we rely primarily on independent third-party distributors and trading companies for sales of edible fungi. If our products lose appeal, distributors may switch to competing products, and we may fail to renew distribution agreements or maintain existing distributor relationships; (vi) the cultivation, processing and distribution of edible fungi are subject to evolving agricultural policies, which may materially and adversely affect our operations; and (vii) reported profit from the cultivation, processing and distribution of edible fungi may be more volatile as any increase in the selling prices of biological assets will increase both the sales revenue and the unrealized fair value gains and vice versa.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTION WHERE WE OPERATE

We may be subject to additional regulatory requirements under new laws and regulations on overseas offerings and listings issued by PRC governmental authorities.

On July 6, 2021, the relevant PRC governmental authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions emphasized the needs to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures for 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》) (the "Overseas Listing Trial Measures") along with five relevant guidelines, which became effective on March 31, 2023. The Overseas Listing Trial Measures require, among others, that PRC domestic companies that seek to initially offer and list securities in overseas markets, either directly or indirectly, shall file the required documents with the CSRC within three business days after its application for overseas listing is submitted.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和 上市相關保密和檔案管理工作的規定》) (the "Archives Rules"), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with applicable laws, regulations and requirements on confidentiality and archives management, establish a sound confidentiality and archiving system, and take necessary measures to implement their confidentiality and archive management responsibilities.

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 additional requirements or restrictions on us or our financing activities. Approval from or filing with the CSRC or other regulatory authorities or other procedures may be required in the future. As a result, we may face sanctions by the CSRC or other PRC regulatory authorities for any failure to seek CSRC approval or other governmental authorization, or perform filing procedures, for our future financing activities, and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside the PRC, delay or restrict the repatriation of the proceeds from such future financing activities into the PRC or take other actions to restrict our financing activities, which could have a material and adverse effect on our financial conditions and business prospects.

Changes in economic, regulatory, political and social conditions could have a material and adverse effect on our results of operations, financial performance and business prospects.

Currently, all of our operations are conducted in China. Accordingly, our results of operations, financial performance and business prospects may be influenced by the economic, regulatory, political and social conditions in China. China has implemented, and may continue to introduce, among others, various policies and measures to encourage the economic growth and guide the allocation of resources. China's snack and beverage industry and edible fungi industry in general are affected by macro-economic factors, including international, national, regional and local economic conditions, trade relationships, employment levels, consumer demand and discretionary spending. In addition, the U.S. government has imposed a series of restrictions on U.S. outbound investment in Chinese companies engaged in certain activities involving specified sensitive technologies and implemented import tariffs on selected products. It is possible that such policy and actions may expand to cover the food industry. These regulatory developments could significantly affect on the ability of Chinese companies to raise capital from U.S. investors. It remains uncertain whether these challenges and uncertainties will be resolved, and what impact they may have on global political and economic conditions in the long term. Any changes in these factors may have material and adverse effect on our results of operations, financial performance and business prospects.

[REDACTED] may experience difficulties in effecting service of legal process and enforcing judgments against us, our shareholders, directors and management.

We are a company incorporated under the laws of the PRC and currently all of our assets and subsidiaries are located in the PRC. Most of our Directors and senior management reside within the PRC. The assets of these Directors and senior management are also mostly located within the PRC. As a result, it may be difficult and time-consuming to effect service of process upon most of our Directors and senior management outside the PRC. In addition, you may also experience difficulties in enforcing judgments due to lack of reciprocal recognition and enforcement of judicial rulings and awards of other jurisdictions.

The holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Stock Exchange to enforce its rules. The Hong Kong Listing Rules and the Hong Kong Takeovers Code do not have the force of law in Hong Kong.

We are subject to the currency exchange regulatory system.

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

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 payments of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign currencies may restrict our ability to pay dividends to shareholders or to satisfy any other foreign exchange requirements, capitalize our capital expenditure plans, and even our results of operations, financial performance and business prospects may be affected.

Any gains on the [REDACTED] of our H Shares by non-PRC [REDACTED] may, and dividends paid on our H Shares to non-PRC [REDACTED] generally will, be subject to PRC tax.

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the [**REDACTED**] or other [**REDACTED**] of H Shares.

Non-PRC resident individuals are required to pay PRC individual income taxes at a 20% rate for the income derived in China under the Individual Income Tax Law of the PRC (the "**IIT Law**") and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui Zi [1994] No. 020) issued by the the Ministry of Finance of the PRC ("**MOF**") and the State Administration of Taxation of the PRC ("**SAT**") on May 13, 1994, the income gained by individual foreigners from dividends and bonuses of enterprises with foreign investments are exempted from individual income tax for the time being. In addition, under the IIT Law and its implementation regulations, non-PRC resident individual holders of H Shares are subject to individual income taxes at a rate of 20% on gains realized upon the [**REDACTED**] or other [**REDACTED**] of H Shares. However, pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax.

As of the Latest Practicable Date, no aforesaid provisions expressly provided that individual income taxes shall be levied on non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income taxes on non-PRC resident individual holders on gains from the [**REDACTED**] of H Shares.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those that have establishments or premises in China but whose income is not related to such establishments or premises, under the the PRC Enterprise Income Tax Law ("**EIT Law**") and its implementation regulations, dividends paid by us and gains realized by such foreign enterprises upon the [**REDACTED**] or other [**REDACTED**] of H Shares are subject to PRC EIT at a 10% rate. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) issued by SAT on November 6, 2008, the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares will be 10% and we intend to withhold taxes at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including [**REDACTED**]). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refunds will be subject to the PRC tax authorities' approval.

Despite the arrangements mentioned above, the interpretation and application of existing applicable PRC tax laws and regulations by the competent tax authorities will be in accordance with the then effective laws and regulations and may change, and new taxes may be imposed, which in either case may adversely affect the value of your [**REDACTED**] in our H Shares.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] for our H Shares, and their liquidity and [REDACTED] may be volatile.

Prior to the completion of the [**REDACTED**], there has been no public market for our H Shares. There can be no guarantee that an active [**REDACTED**] market for our H Shares will develop or be sustained after the completion of the [**REDACTED**]. The [**REDACTED**] is the result of negotiations between our Company and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]), which may not be indicative of the [**REDACTED**] at which our H Shares will be [**REDACTED**] following the completion of the [**REDACTED**]. The [**REDACTED**] of our H Shares may drop below the [**REDACTED**] at any time after completion of the [**REDACTED**]. If an active [**REDACTED**] market 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 [REDACTED] and [REDACTED] of our H Shares may be volatile, which could result in substantial losses to you.

The [**REDACTED**] of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in Chinese Mainland that have listed their securities in Hong Kong may affect the volatility in 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 listing their securities, in Hong Kong. The share prices of some of these companies have experienced significant volatilities, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards Chinese Mainland-based companies listed in Hong Kong and consequently may impact the [**REDACTED**] performance of our H Shares. In addition to stock market and industry factors, the [**REDACTED**] and [**REDACTED**] of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. These factors may significantly affect the [**REDACTED**] and volatility of our H Shares.

We will be concurrently subject to [REDACTED] and regulatory requirements of Chinese Mainland and Hong Kong.

As we are listed on the Shenzhen Stock Exchange and will be [**REDACTED**] on the Main Board in Hong Kong, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and resources in continuous compliance with all sets of [**REDACTED**] rules in both jurisdictions.

The characteristics of the A share and H share markets may differ.

Our A Shares are listed and traded on the Shenzhen Stock Exchange. Following the [**REDACTED**], our A Shares will continue to be traded on the Shenzhen Stock Exchange and our H Shares will be [**REDACTED**] on the [**REDACTED**]. Under current laws and regulations of Chinese Mainland, without the approvals from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible. With different [**REDACTED**] characteristics, the H Share and A Share markets have divergent [**REDACTED**] volumes, liquidity and [**REDACTED**] bases, as well as different levels of retail and institutional [**REDACTED**] participation. As a result, the performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the [**REDACTED**] of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the [**REDACTED**] in our H Shares.

Future [REDACTED] or perceived [REDACTED] of substantial amounts of our H Shares in the [REDACTED] could have a material and adverse effect on the [REDACTED] of our H Shares and our ability to raise additional capital in the future.

The [**REDACTED**] of our H Shares could decline as a result of future [**REDACTED**] of a substantial number of our H Shares or other securities relating to our H Shares in the [**REDACTED**], the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

You will incur immediate and substantial dilution and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of the [**REDACTED**] is higher than the net tangible asset value per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] consolidated net tangible asset value. To develop our business, we may consider offering and issuing additional shares in the future. Purchasers of the [**REDACTED**] may experience dilution in net tangible asset value per Share of their Shares if we issue additional shares in the future at a price that is lower than the net tangible asset value per Share at that time.

Our outstanding RSUs granted under the Share Award Plans may cause shareholding dilution to our existing Shareholders and have a negative effect on our financial performance.

We have granted RSUs under our Share Award Plans to attract and retain outstanding individuals to serve our Company and may continue to grant share-based compensation in the future. In 2023, 2024 and 2025, we incurred share-based compensation expenses of RMB155.1 million, RMB225.5 million and RMB165.2 million, respectively. See Note 31 of the Accountants' Report set out in Appendix I to this Document. We may re-evaluate and adjust existing Share Award Plans or adopt new Share Award Plans from time to time. If we choose to do so, we may experience substantial changes in our share-based compensation expenses. In addition, such Share Award Plans may dilute the shareholding percentage of our existing Shareholders and could result in a decline in the value of our H Shares, which may have an adverse effect on our results of operations.

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

Immediately following the completion of the [**REDACTED**], our Controlling Shareholders will control an aggregate of [**REDACTED**]% of voting rights in our Company immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised, no new A Shares are issued under the Share Award Plans and there are no changes to the shareholding of our Company between the Latest Practicable Date and the [**REDACTED**]). Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates or positions on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisitions or dispositions of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, election of Directors and matters relating to our management and other significant corporate matters. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares in the event of a sale of our Company and may significantly reduce the [**REDACTED**] of our H Shares.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance that we will declare and distribute any amount of dividends in the future.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance that we will declare and distribute any amount of dividends in the future. Our ability to pay dividends will depend on whether we are able to generate sufficient earnings and distributable profits. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account our results of operations, financial conditions, cash requirements and availability, operating and capital expenditure requirements, and other factors as they may deem relevant, and subject to the approval at a Shareholders' meeting. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations, and the calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRS. We may not have sufficient or any profits to enable us to distribute dividends to our Shareholders as determined under the accounting standards of PRC, even if our financial statements indicate that our operations have been profitable as determined under IFRS Accounting Standards, or vice versa. See "Financial Information — Dividends" for details of our dividend payment.

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

This Document, particularly the sections headed "Industry Overview" and "Business", contains information and statistics relating to the industries in which we operate. Such information and statistics were extracted from the report prepared by CIC, which was commissioned by us, and from various official publications and other industry sources. We have no reason to believe that information from official government sources is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot verify the quality or reliability of information and statistics from official government sources. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], any of the [**REDACTED**], any of our or their respective directors, officers or representatives or any other parties involved in the [**REDACTED**] and no representation is given as to its accuracy. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as or consistent with similar statistics presented elsewhere, and such information may not be complete or up-to-date. In any event, you should consider carefully the importance placed on such information or statistics.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shenzhen Stock Exchange.

Our A Shares are listed on the Shenzhen Stock Exchange and we have been subject to periodic reporting and other information disclosure requirements in Chinese Mainland. As a result, from time to time, we publicly release information relating to us on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on and complies with regulatory requirements of the securities authorities, industry standards and market practices in Chinese Mainland, which are different from those applicable to the [**REDACTED**]. The presentation of financial and operational information for the Track Record Period disclosed on the Shenzhen Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this Document. As a result, prospective [**REDACTED**] in our H Shares should be reminded that, in making their [**REDACTED**] decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this Document. By applying to purchase our H Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this Document and any formal announcements made by us in Hong Kong with respect to the [**REDACTED**].

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

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

You 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].

You are strongly advised to read the entire Document carefully and we strongly caution you not to rely on any information contained in press articles or other media regarding us and the [**REDACTED**]. Prior to the publication of this Document, there may be press and media coverage regarding us, our business, our industry and the [**REDACTED**]. There may be additional press and media coverage regarding us, our business, our industry and the [**REDACTED**] subsequent to the date of this Document but prior to the completion of the [**REDACTED**]. Such press and media coverage may include references to certain information that does not appear in this Document, including certain operating and financial information, projections, valuations and other information. None of us or any other person involved in the [**REDACTED**] has authorized the disclosure of any such information in the press or media coverage and none of us accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this Document, we disclaim responsibility for it, and you should not rely on such information.