You should carefully consider all of the information in this Document, including the risks and uncertainties described below, before making an [**REDACTED**] *in our Shares. These risks could materially and adversely affect our business, results of operations, financial condition and prospects. The* [**REDACTED**] *of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your* [**REDACTED**]*. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands, and that all of our operations are conducted in the PRC. For more information in respect of the PRC legal and regulatory environment, see "Regulatory Overview."*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our future growth depends on our ability to expand new restaurants and maintain profitability.

Our future growth depends on our ability to open and operate new restaurants and maintain profitability. During the Track Record Period, we have experienced a rapid growth in terms of the number of restaurants under our operation. In 2023, 2024 and 2025, we opened 25, 35 and 44 new restaurants, respectively. We plan to continue expanding our restaurant network to different cities in China. Such further expansion may significantly increase the demand towards our management and operation, technology, labor force and other resources. The planned expansion also requires us to maintain stable quality of food and service while upholding our corporate culture, with an aim to ensure that our brand would not be affected by any deterioration (whether actual or perceptible) in the quality of food or service.

We may not be able to maintain the historical expansion rate. While selecting sites for new restaurants, we may face intense competition from industry competitors. We may also experience delay in the approval process for applying relevant important licenses from governmental authorities and such delays in time are beyond our control. Our continuous success is also dependent on our ability to recruit, train and retain more qualified management, administrative, sales and marketing personnel, especially during the time of expanding into new markets. We also have to continuously manage our relationship with suppliers and customers. All of the above matters require our management to pay extra attention and effort and require a significant amount of additional expenditures. Even if we manage to open more restaurants as planned, such new restaurants may not be profitable for a certain period of time or may not be able to achieve results similar to existing restaurants. Such development and expansion strategy may result in the fluctuation in our results and profits. Furthermore, customers' demand for our products and services may not be as strong as we expect to support our rapid business growth, which may result in over-expansion of our restaurant network.

Our results of operation may be materially affected by the timing of opening new restaurants while it is affected by some factors beyond our control. Before they start operation, new restaurants will also incur expenses such as rental expense, decoration expense and staff costs. Generally, it takes approximately six months to complete the entire process from selecting restaurant location to satisfying opening conditions for a new self-operated restaurant. During the Track Record Period, the actual timing of restaurant opening is also subject to the required time to obtain licenses such as permits for fire prevention and food operations. Any delay in new restaurants opening and/or closures of the existing restaurants will affect the number and operation days of our restaurants in the current financial year, and affect our results of operation. Therefore, the number and timing of opening of new restaurants have already and may continue to have a material effect on our profitability.

We face intense competition in the hotpot industry in China.

The hotpot industry in China is highly competitive in terms of food safety and quality, taste, pricing, ambience, service, location, supply chain and recruitment of staff. We face fierce competition at each of our locations from a variety of restaurants in various market segments, ranging from local restaurants to regional restaurants and international restaurant chain. Our competitors may have stronger financial, marketing, personnel and other resources, and our competitors may have reached mature development in the markets where our restaurants are located or we plan to open new restaurants. In addition, other companies may open new restaurants with similar concepts and targeting our customers, thereby leading to increased competition.

Any scenarios that render us incapable of competing successfully with other competitors in our market may prevent us from increasing or maintaining our revenue and profitability, thereby resulting in loss of market share. In this regard, it may have a material adverse impact on our businesses, financial position, results of operation or cash flow. Besides, we need to adjust or improve the elements of our restaurant network so as to keep up with the development of popular new restaurant styles or concepts from time to time. However, we cannot ensure that we can successfully implement such adjustments or that such adjustments will not weaken our profitability.

Failures of our food quality control system could have a material and adverse effect on our reputation, financial conditions and results of operation.

The quality and safety of the food we serve in our restaurants are critical to our success. Our quality control system covers our entire supply chain, from the origin of raw materials to tables at our restaurants. See "Business — Food Safety and Quality Control." Due to the scale of our operations and rapid growth of our restaurant network, maintaining consistent food quality depends significantly on the effectiveness of our quality control system, which in turn depends on a number of factors, including but not limited to the design of our quality control system, staff trainings to ensure that our staff adhere to and implement those quality control policies and the effectiveness of monitoring any potential violation of our quality control system. In September 2023, Beijing Chaoyang District Administration for Market Regulation imposed an administrative penalty on a restaurant operated under Chao Dao in relation to the sale of lamb rolls and high-calcium mutton rolls provided by a third-party supplier. According to the administrative penalty decision issued by the Beijing Chaoyang District Administration for Market Regulation, the relevant Chao Dao restaurant was ordered to immediately cease the sale of the non-compliant lamb roll and high-calcium mutton rolls and to ensure that all food products sold comply with the PRC Food Safety Law. In addition, the penalty decision imposed administrative sanctions, including: (i) the confiscation of illegal gains in the amount of RMB20,096; (ii) the confiscation of raw materials used for the non-compliant products; and (iii) a fine of RMB426,964. For more details, see "Business — Food Safety and Quality Control — Historical Food Safety-related Administrative Penalty." The quality of the ingredients or services provided by our suppliers is subject to factors beyond our control, including the effectiveness and the efficiency of their quality control systems, among others. There can be no assurance that our current suppliers may always be able to adopt appropriate quality control systems and meet our stringent quality control requirements in respect of the supplies or services they provide. Any significant failure or deterioration of our quality control system could have a material and adverse effect on our reputation, financial condition and results of operations.

Our business is affected by changes in consumer taste and dining preference, including potential changes in consumer perception of our menu and signature dishes.

The hotpot industry is affected by consumer taste and dining preference. We regularly update our menu and introduce new dishes from time to time to adapt to changes in dining trends, shifts in consumer taste and nutritional trends. However, consumer tastes and preferences are constantly changing and we may not be able to adapt to local tastes and preference as we expand into new markets in the PRC. Our failure to anticipate, identify, interpret and react to these changes could lead to reduced customer traffic and demand for our restaurants. Hotpot dishes, or more specifically, our signature dishes, beef tripe and mushroom broth, may not always be preferred by consumers. In addition, if prevailing health or dietary preferences and perceptions cause consumers to avoid our products in favor of alternative foods, our business could suffer. Even if we do correctly anticipate, identify, interpret and react to these changes, there can be no assurance that we will be able to launch new dishes that effectively respond to consumer preferences or result in increased profits.

If we are unable to respond to changes in consumer taste and preferences in a timely manner or at all, or if our competitors are able to address these concerns more effectively, our business, financial condition and results of operations may be materially and adversely affected.

Our new restaurants may not be able to successfully enter into new markets and achieve profitability.

Along with the expansion of our business, we may also open new restaurants in markets that we have limited or no experience of operation. Based on existing strategies, we would develop new restaurants in second-tier and third-tier cities in China. The competitive dynamics, consumer preference and spending patterns of the new markets may be different from our existing markets. Therefore, we may not be able to open new restaurants in those markets in a timely manner or at all. We cannot assure you that we will be able to maintain our profitability as we continue to expand into new markets. For instance, customers in new markets may not be familiar with our brand and we may need to develop brand awareness in such markets, which may lead to cost higher than the original plan. We may find it more difficult in new markets to hire, inspire and retain qualified staff with the same concept and corporate culture recognition. Opening restaurants in new markets may have lower average sales and average spending per customer, higher construction cost or operational cost of restaurants than opening restaurants in existing markets. Besides, we may need more time to establish similar supply chain systems, logistics systems and suitable quality control systems in the new markets. The restaurants established in new markets may take a longer time to increase sales than expected and such failure in reaching expected sales and profit levels would in turn affect our overall profitability.

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

The sales volume and profitability of the existing restaurants would also affect the growth of our sales and would remain as key factors affecting our revenue and profit. Our ability to increase the sales volume from existing restaurants partly depends on the successful implementation of measures for increasing customer traffic and sales per customer. These measures include providing diverse products and portfolios, enhancing consumer experience to attract recurring customers, raising customer loyalties and attracting more customers in off-peak periods. We cannot assure you that the sales growth and profitability of existing restaurants will meet their targets or that the sales of existing restaurants will not decline. In such cases, our businesses, financial condition and results of operation could be materially and adversely affected.

Particularly, the chosen locations of our existing restaurants may become uncompetitive due to changes in economic or demographic conditions, such as traffic inconvenience caused by nearby construction, which will cause a loss of original source of customers in these locations. As such, the relevant restaurant may encounter a decline in sales volume. As all of our lease agreements have fixed lease terms, they have exposed us to the risk of paying rent for fixed periods of time in spite of unprofitable business operations or other unforeseen events that may occur before each lease term expires. In addition, we are also subject to the risk of paying compensation for breach of contract if we choose to terminate the lease agreement before expiration. In the event of early termination, particularly for long-term leases, we may be required to bear additional compensation, penalties, or losses arising from the write-off of decoration and equipment costs. For more details on our lease agreements and lease terms, see "Business — Properties — Leased Properties." Therefore, lack of flexibility in earlier termination of these lease agreements, would adversely affect our businesses, financial condition and results of operation.

In addition, in case we open new restaurants in existing markets, the sales volume and customer traffic of nearby existing restaurants may decline due to intensified competition, which could in turn have an adverse impact on the operation of existing restaurants, our financial condition and results of operation.

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

The success of our restaurants revolves primarily around customer satisfaction, which is dependent on the continued popularity of our Banu brand and lies in our ability to provide a superior dining experience. The success of our restaurants may be adversely impacted by a number of factors, including, among others: (i) decline in the quality of service; (ii) inability to pioneer and introduce new services that gain popularity amongst customers; (iii) inability to meet the needs of our customers and changes in consumer tastes and preferences; (iv) decline in food quality or the perception of such decline amongst customers; (v) any significant liability claims or food contamination complaints from our customers; (vi) inability to offer quality food at affordable prices; (vii) declining economic conditions in the markets we operate, which may constrain consumer budgets and affect their choices in ordering high margin items; (viii) decline in staff satisfaction and increase in staff attrition; (ix) increased competition in the hotpot industry, such as opening new restaurants in the same region as competitors; (x) our inability to manage costs; and (xi) declines in our reputation and consumer perception of our brand in terms of quality, price, value and service. We cannot guarantee that our dining experience will continue to be of high quality and favored by customers, nor that our existing and new restaurants will continue to be successful.

We may fail to maintain or enhance brand recognition or reputation or may face negative publicity related to our brand.

We believe that maintaining and enhancing our brand is important to maintaining our competitive advantage in the hotpot industry. However, our ability to maintain our brand recognition depends on a number of factors, some of which are beyond our control. We may face negative publicity, customer disputes, unauthorized use of our Banu brand, all of which may tarnish the appeal and reputation of our brand. Moreover, our continued success in maintaining and enhancing our brand and image depends to a large extent on our ability to maintain our distinctive combination of our services, our quality food products at affordable prices and pleasant dining environment as well as our ability to respond to any change in the competitive landscape in the hotpot industry. If we are unable to do so, the value of our brand or image will be diminished and our business and results of operations may be materially and adversely affected. As we continue to grow in size and extend our geographic reach, maintaining quality and consistency may be more difficult and we cannot assure you that customers' confidence in our brand will not be diminished.

We may experience significant liability claims or complaints from customers, or negative publicity involving our products, our service, our restaurants or our industry.

Operating in the catering industry, we face an inherent risk of food contamination, complaints and liability claims. Our food quality substantially depends on the quality of the food ingredients provided by our suppliers and we may not be able to detect all defects in those supplies. Also, all of our raw materials, semi-processed and processed food ingredients used in our restaurants were initially handled by our central kitchens or our suppliers. Any food contamination occurring at our central kitchens or suppliers' facilities or during the transportation from our central kitchens or suppliers' facilities to our restaurants that we fail to detect or prevent could adversely affect the quality of the food delivered to our customers or served in our restaurants and consumer satisfaction. For instance, in 2023, one of our subsidiaries was fined RMB60,000 by a local market regulatory authority for displaying misleading nutritional information on its menu regarding the selenium content of a potato dish. The issue was deemed a violation of the Anti-Unfair Competition Law. The entity promptly rectified the issue, cooperated with the investigation and fully paid the fines. In addition, there were administrative penalties in relation to food quality on Chao Dao in the past, for which (i) the relevant Chao Dao restaurant paid a fine of RMB426,964, among other penalties and (ii) RMB5.7 million cash compensation had been paid to affected customers during the Track Record Period. See "Business — Food Safety and Quality Control — Historical Food Safety-related Administrative Penalty." We have implemented a comprehensive quality control system, and we conduct periodic and spot inspections of the participants in our supply chain and of our restaurants. However, as we expand our business scale, we cannot assure you that these counterparties or our restaurant staff will adhere to our internal procedures and requirements at all times. Any failure to detect defective food supplies, poor hygiene or cleanliness standards in our operations or other failure to observe our requirements, could adversely affect the quality of the food served in our restaurants, which could lead to liability claims, complaints, or related adverse publicity and could result in the imposition of penalties by competent authorities or compensation awarded by courts against us.

During the Track Record Period, most of the complaints were related to long waiting time for seating, extended serving time during peak hours and unsatisfactory service quality of our staff. We take complaints related to accidents occurred in the dining process seriously and have adopted various remedial measures to minimize such occurrences. However, there is no assurance that all such complaints can be fully addressed or prevented in the future.

Any complaints or claims against us, even if meritless and unsuccessful, may divert management attention and other resources from our business and adversely affect our business and operations. Customers may lose confidence in us and our brand, which may adversely affect the business of our restaurants, resulting in declines in our revenue and even losses. Furthermore, negative publicity including but not limited to negative online reviews on social media and crowd sourced review platforms or media reports related to food quality, safety, public health concerns, illness, injury or industry, whether or not accurate, and whether or not concerning our restaurants, can adversely affect our business, results of operations and reputation.

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

Our future success depends very much on the continuing services and performance of our key management personnel. We should continue to attract, retain and motivate a sufficient number of qualified management and operating personnel to maintain a consistency in the quality of our products and services and meet the expansion requirements of our plans. We also give incentives to our area managers, regional managers and competent team members in order to commend their commitments to our businesses.

If our senior management team fails to cooperate with each other successfully, or if one or more of our senior management team members are not able to effectively implement our business strategies, we may not be able to achieve business growth at the speed or in the manner we expect. There is keen competition for experienced management and operating personnel in the hotpot industry in China and the number of qualified candidates is limited. We may not be able to retain our key management and operating personnel, and we may not be able to attract and retain quality senior management personnel or key personnel in the future.

In addition, if one or more of our key personnel are not able or willing to continue to assume their present positions, we may not be able to replace them easily or at all. Therefore, our businesses may be disrupted and our results of operation may be materially and adversely affected. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing business, it may result in a leakage of business secrets and technical know-how. If we cannot attract, retain and motivate these key personnel, our reputation may be damaged and it may lead to a loss in our businesses.

Our historical financial and results of operation are not indicative of future performance.

We had revenue of RMB2,111.6 million, RMB2,307.3 million and RMB2,846.4 million in 2023, 2024 and 2025, and we had profit of RMB101.7 million, RMB122.9 million and RMB205.9 million in the same years. Our historical results and growth may not represent our future performance. Our financial or results of operation may not fulfill the expectation of the open market analysts or the investors, which may result in a decrease of the future price of our Shares. Our income, expenses and results of operation may change in different time due to various uncontrollable factors, including general economic condition, special events, governmental regulations and policies which affect our restaurants' operation and/or the ability for us to control the cost and operational expenses. You shall not rely on our historical results for prediction of our future financial performance.

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

Our ability to acquire new customers in a cost-effective manner and retain existing customers is critical to the continuing growth of our results of operation and profitability improvement. We have invested in branding, sales and marketing to acquire and retain customers since our inception. We will continue to invest in brand promotion to attract new customers and retain existing ones, but there is no guarantee that new customers will stick with us or that the revenue from new customers will outweigh the expenses of acquiring them.

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

We rely on the timely, stable and sufficient supply of quality raw materials and other supplies from our suppliers. Any shortages, disruptions and increases in raw material cost may have an adverse effect on our businesses, financial condition and results of operation.

We mainly procure food raw materials, ingredients and other consumables necessary for our restaurant operation from our suppliers. Our costs for raw materials and consumables used were RMB701.3 million, RMB740.9 million and RMB860.5 million in 2023, 2024 and 2025. In case our suppliers cannot provide raw materials and other supplies in a timely manner, we may experience a shortage in supply and an increase in cost. The ability to purchase high quality raw materials and other supplies at competitive prices and in a timely manner is crucial to our business. The abilities to continually provide our product portfolio with stable quality to customers in our restaurants partly depend on our ability to obtain a sufficient amount of raw materials and relevant supplies that meet our food safety and quality specification requirements from reliable resources. During the Track Record Period, we did not experience any material delays or disruptions in the supply of raw materials from suppliers. However, we cannot assure you that we can maintain the business relationship with main suppliers in the future.

Our suppliers may pass the extra costs on to us if the raw material manufacturers increase their price for any reason. If any of our main suppliers fails to supply sufficient products or provide sufficient services to us in a timely manner for any reason, we cannot assure that we could find a suitable substitute supplier at acceptable conditions in a short period of time. We may not be able to predict and address the unforeseeable changes in cost, and we may be unable to pass such changes in cost on to customers. Such conditions may lead to a material adverse impact on our businesses and results of operation.

Supplies of raw material may be interrupted for various reasons, many of which are beyond our control, including severe weather conditions, international trade disputes, import and export restrictions, natural disasters, pandemics, diseases, cessation of operation of important suppliers, material negative news or unexpected shortage in production. We cannot assure that current suppliers can always meet our strict quality control requirement in the future. If any of our suppliers fails to conduct sufficient quality control, ceases cooperation with us, or otherwise fails to deliver materials to us in a timely manner, we cannot assure that we could find a suitable substitute supplier at acceptable conditions on a timely basis. Therefore, if we fail to do so, our raw material cost might be increased and a shortage in food raw materials and consumables may occur in our restaurants. Any serious shortages or disruptions in supply would affect the supply of some products on the menu, which would result in a significant decrease in revenue as a result of customers seeking for other restaurants. If any of our suppliers uses the recipes of our self-developed products in the production of other enterprises' products without our permission, the competitiveness of our branded products may be affected, and may in turn affect our business and results of operation.

In addition, we rely on a few imported ingredients such as New Zealand beef tripe, which are procured through centralized bidding and long-term partnerships with key suppliers. Therefore, we are exposed to certain risks associated with the procurement of imported ingredients, including international logistics disruptions, changes in customs and inspection policies, fluctuations in foreign exchange rates, and the imposition or adjustment of import tariffs. These factors may result in increased procurement costs, delays in delivery, or inventory shortages. To manage these risks, we have implemented a procurement strategy that includes regular market price tracking and staggered delivery schedules. Nonetheless, any significant disruption in the supply of imported ingredients could adversely affect our product quality, cost structure, and overall customer experience, which may in turn affect our business and results of operation.

Failure to comply with the existing or new government regulations relating to fire safety, food hygiene, environmental protection and control on indoor smoking of the catering industry in China may have a material adverse effect on our businesses and results of operation.

Our businesses are subject to the restriction of various compliance and operational regulations stipulated by the PRC laws, including but not limited to fire safety, food hygiene, environmental protection and control on indoor smoking. Any of our restaurants that fail to comply with the applicable laws and regulations may be subject to penalties imposed by relevant Chinese government authorities. Each of our operating restaurants is required to obtain various licenses and permits, including an operation license issued by the local government authorities and we should carry out catering business within the business scope of the operation license.

There were administrative penalties in relation to food quality on Chao Dao in the past. See "Business — Food Safety and Quality Control — Historical Food Safety-related Administrative Penalty." Although we have not suffered fines or other penalties which materially and adversely affect our businesses and results of operation due to any violation of the regulations in the past, we may be subject to fine, confiscation of illegal gains from relevant restaurants and termination of the operation of restaurants lacking all necessary licenses and permits required, or subject to suspension of sales of certain products in accordance with the latest laws and regulations if we fail to deal with these non-compliance events in a timely manner. Such kind of circumstances may have a material adverse impact on our businesses and results of operation.

In addition, there can be no assurance that we will be able to obtain, renew and/or convert all of the approvals, licenses and permits required for our existing business operations in a timely manner or at all. If we fail to obtain and/or maintain all the licenses required to operate our businesses, the proposed new restaurant business and/or expansion may be delayed, and our ongoing business could be interrupted. We may also be investigated and receive imposed penalties. In addition, government authorities may promulgate new laws, rules and regulations from time to time to strengthen the implementation of existing laws, rules and regulations, which may require us to obtain new and additional licenses, permits or approvals. There may be adjustments and changes in the interpretation and implementation of existing and future laws and regulations governing our business activities. If we fail to comply with applicable laws and regulations, we may be subject to fines, confiscation of income generated from our non-compliant operations or termination of our non-compliant operations, any of which may have a material adverse impact on our business, financial condition and results of operation.

We may not be able to detect, stop or prevent all fraud or other misconduct by our customers or other third parties.

Although we have strict guidelines and controlling measures to prevent any illegal activities or misconduct, we may not be able to discover, stop or prevent all misconduct carried out our customers or other third parties. If such misconduct incidents happen frequently in our restaurants, our reputation and operation may be adversely affected.

We may not be able to prevent, discover or stop all the misconduct carried out in our restaurants by our customers or other third parties, for example, the smoking behaviors of our customers in the restaurants. According to The Rules for the Implementation of the Administration of Sanitation of the Public Assembly Venue (公共場所衛生管理條例實施細則), if a customer smokes in our restaurants and we fail to stop him timely, we may face penalties such as an administrative warning or fine from relevant competent authorities. Any misconduct that harms our interest, including past acts that have gone undetected and future acts, may lead to financial loss and/or damage to our reputation and cause material and adverse effects on our businesses, results of operation and financial condition.

We may fail to fulfill the duty of maintaining safety and thus cause damage to another person. According to the Civil Code of the PRC (民法典), if we as operator and manager of business fail to fulfill the duty of maintaining safety, we shall assume supplementary tort liability, along with the third party who cause the damage and assume tort liability.

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

Our daily operation and expansion are vulnerable to interruption by fires, floods, typhoons, power failures and shortages, hardware and software failures, computer viruses and other events beyond our control. Our business is also dependent on prompt delivery and transportation of our raw materials, food ingredients and other consumables. Certain events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays and labor strikes, could also lead to delayed or lost deliveries by our suppliers, logistics and our restaurants. All of which may result in the loss of potential business, and thus sales revenue. Perishable raw materials such as fresh, chilled or frozen foods, may deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our suppliers or our logistics partners. The third-party public portable chargers provided in our restaurants and the kitchen appliances in the restaurants may also cause accidents such as fires. If personal injury such as falls happened on our customers or staff inside our restaurants, we may also bear the related operator liability. Fires, floods, earthquakes and terrorist attacks may lead to evacuations and other disruptions in our operations, which may also prevent us from providing quality food and service to customers, thereby affecting our businesses and damaging our reputation. Any such event could materially and adversely affect our business operations and results of operation.

We need to conduct renovations during the process of opening new restaurants. Even we fulfill the regulations under applicable laws, a series of negative events may happen during the process of renovation. Events such as fire, flooding and injuries and death may occur during the renovation process. Such events will cause a negative effect to us among the public, resulting in financial losses, and also may result in us being investigated or penalized by regulatory authorities, and adversely affect our reputation and brands.

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

Any outbreak of food-borne diseases or epidemic occurrences, such as H5N1 avian flu, Middle East Respiratory Syndrome (MERS), Ebola, as well as influenza caused by H7N9, H5N6 and H2N2, and Swine Influenza (H1N1 virus) could disrupt the supply of our key food ingredients. An outbreak of any of the above diseases, or other diseases that have yet to become widespread, could therefore have a material adverse impact on our results of operations, financial condition and business prospects. Any outbreak, epidemic or pandemic of infectious or contagious diseases such as SARS and COVID-19 in the regions in which we operate could lead to a reduction in our consumer traffic, our staffing and our revenue. As such diseases could have a material adverse impact on the macroeconomic condition of the affected regions, our business operations and financial performance could be negatively affected as a result. In addition, any negative publicity relating to the aforementioned and other health-related matters such as excessive level of medicine and chemicals contained in poultry and seafood, or outbreak of Bovine Spongiform Encephalopathy (also known as mad cow disease) may affect consumers' perception of food safety in general, which will consequently reduce consumer traffic at our restaurants and adversely affect our results of operations.

We face risks related to our production facilities. Our future success and growth depend on our ability to effectively manage production facilities.

We strategically operate our production facilities to ensure a stable supply of quality, cost-effective products. As of December 31, 2025, we had five centralized kitchens and one ingredient processing facility. We also plan to enhance and expand our existing warehousing facilities. However, there is no assurance that such expansion plans will be successfully implemented as scheduled or will be commercially successful. The expansion is also subject to interruptions caused by risks common to large construction projects, such as insufficient capital, regulatory approval delays, adverse weather conditions, natural disasters, accidents, unforeseen circumstances, and other factors beyond our control. As a result, we may not achieve the planned expansion within the expected timeframe. Additionally, even if the expansion is completed, it may not yield the desired results. For example, if the added capacity exceeds our business growth or market demand, we may face underutilized production capacity, overproduction, high fixed costs, and low profit margins. Any of these issues could materially and adversely affect our business, results of operations, and future prospects.

Moreover, our production facilities may face interruptions due to operational issues, force majeure events, mechanical failures, or shortages of utilities such as water, electricity, or gas. These disruptions could delay production, reduce capacity, or result in temporary shutdowns. If we fail to address these issues promptly, downtime could be extended, further impacting our production capacity and sales. Additionally, production-related incidents, such as safety risks for our staff, may occur. While we strive to maintain a safe working environment, we cannot guarantee that no safety incidents will arise during production. If such incidents occur, we could face liability for safety claims and penalties, along with potential production disruptions. These events could materially affect our business, results of operation, and future prospects.

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

We rely on our central kitchens to supply all of our semi-processed or processed food ingredients used in our restaurants. As of the Latest Practicable Date, we had five central kitchens that serve our restaurants in 14 provinces and municipalities in China. See "Business — Supply Chain and Procurement — Central Kitchen and Ingredient Processing Facility." Any disruption of operations at our central kitchens, such as electricity or water suspensions, may affect our ability to distribute food ingredients to our restaurants in a timely manner, or at all, which may disrupt our restaurants' ability to serve certain menu items or operate at all, whether temporarily or on a permanent basis. If we temporarily choose third-party suppliers to supply semi-processed or processed food ingredients due to such interruption, our operating costs may increase, and we may not be able to maintain consistent food quality due to the short notice of such replacement measure. Alternatively, if we remove certain products from our menu, we may experience reduction in revenue and our brand value may suffer, resulting in an adverse effect on our business and results of operation.

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

We face the risks of claims related to food contamination. Our food quality is partially dependent on the quality of the raw materials and ingredients provided by the suppliers, and we may not be able to detect all the defects in the supply. Any undetected food contamination that occurs during the transport process may adversely affect the quality of food provided in our restaurants. If we cannot discover the defects in supply chain during our operation, maintain appropriate hygiene levels, or assure the cleanliness and other quality control requirements or standards, the quality of food provided by our restaurants may be adversely affected. Such flaw may lead to liability claims, complaints and negative publicity, a decrease in the customer traffic of our restaurants, the penalty by relevant authorities, and potential civil liabilities. During the Track Record Period and up to the Latest Practicable Date, there were no material violations related to food and health related issues. We cannot assure that we will not be subject to any claims related to food contamination or other food safety issues in the future. If we face food safety claims due to contaminated or other defective raw materials and food ingredients from suppliers, we may try to seek compensation from the relevant suppliers. However, the compensation terms of our supply contracts may not be sufficient to cover loss of profits and indirect or joint losses. If the claim against the supplier is not established, or we are unable to recover the amount of the claim from the supplier, we may have to bear such losses and compensation by ourselves. Any of these events could adversely affect our reputation, results of operation and financial condition.

If we are unable to renew the leases of existing restaurants at commercially reasonable terms or are unable to obtain ideal restaurants location, our businesses, results of operation and ability to achieve growth strategies would be materially and adversely affected.

We compete with other hotpot restaurants for suitable locations. In addition, some landlords and developers may offer priority or grant exclusive operating rights of desirable locations to some of our competitors. We cannot assure you that we could enter into new lease agreements for suitable land lots or renew the existing lease agreements at commercially reasonable terms.

We may need to negotiate the terms of renewal with lessors, who may insist on making material amendments to the terms and conditions of the lease agreement. In case the rate of the renewed lease agreement is substantially higher than the current amount, or other existing concessionary terms, if any, granted by the lessor are not extended, we must assess whether renewing the agreement in accordance with the amended terms is in our commercial interest. If we cannot renew the lease of the property for our restaurants for any reason, we will have to close or relocate the relevant restaurants, which could reduce the revenue contribution of that restaurants during the period of closure and subject to construction, decoration and other costs and risks or affect our existing customer base. In addition, the revenue and profit generated from the relocated restaurants could be lower than that before the relocation. Therefore, in case the lease agreement of the desirable restaurants location is not obtained, or the current lease agreement is not renewed at commercially reasonable conditions, our businesses, financial condition and results of operation might be materially and adversely affected.

Our restaurants are easily affected by risks related to the increase or fluctuation of rental cost, unexpected tenancy termination, and unexpected land acquisition, closure of buildings or demolition.

Substantially all of our restaurants are located at leased properties from third parties. Our depreciation of right-of-use assets mainly include the depreciation of capitalized lease incurred by long-term leased properties for our restaurants. As our depreciation of right-of-use assets and other rentals and related expenses are a considerable part of our total operating expenses, if the rental expenses for our restaurants increase significantly, our profitability may be adversely affected.

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, results of operations, financial performance and prospects.

In connection with our operations, we collect limited personal information primarily through our offline restaurant services and online membership services. Therefore, 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 our consumer database by hackers, could result in reputation damage and/or civil or regulatory liabilities that may have significant legal, financial and operational consequences.

Regulatory requirements regarding the data security and data protection are constantly evolving, of which the interpretation and application are also evolving and subject to change that may affect us. If we are unable to properly address any data privacy and protection concerns, such actual or alleged failures could damage our reputation, business, results of operations, financial performance and prospects and/or could lead to civil or regulatory liabilities. Complying with new laws and regulations could also cause us to incur substantial costs or require us to change our business practices in a manner that has a material and adverse effect on our business. See "Regulatory Overview — Laws and Regulations in Relation to Cyber Security and Data Protection" and "Business — Data Security and Privacy Management."

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

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

Our system receives certain necessary personal information about our customers when customers place orders. Due to the fact that the methods used to gain unauthorized access or sabotage networks are constantly evolving and may not be identified before an attack is conducted against us or our third-party service providers, we may be unable to detect or enforce sufficient countermeasures against these threats. We have not been in the past but may be in the future subject to these forms of attacks. If we are unable to prevent these attacks and security vulnerabilities, we risk considerable legal and financial responsibility, damage to our image, and potential missed revenue and consumer frustration. We may lack the expertise and technological sophistication necessary to predict and deter rapidly changing cyber-attack forms. Actual or planned attacks and threats can result in substantially increased costs, including staff and network security technology deployment, staff training, and engagement of third-party experts and consultants. In addition, if our network security is compromised, and such information is stolen or obtained by unauthorized persons or used inappropriately, we may become subject to litigation brought by customers and related institutions. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our brand could also be negatively affected by these events, which could further adversely affect our businesses and results of operation.

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

Our continuous success partly depends on our ability to attract, motivate and retain a sufficient number of qualified staff, including restaurant general managers and other management personnel. We cannot assure you that we will be able to recruit or retain a sufficient number of qualified staff for our businesses. If there is a material increase in the staff turnover rates in our existing restaurants, and there is failure to recruit skilled personnel and to retain key staff due to various factors such as the failure to keep up with the average staff salary levels in the market, it may create difficulties for us to implement our growth strategy. In addition, we engage outsourcing staff through third-party human resources companies. If such human resources companies terminate or suspend the cooperation with us due to any reasons, we may not be able to identify suitable alternative human resources companies to provide outsourcing services in a short period of time, which may affect our business operations. The increase in labor costs caused by factors like competition, minimum salary requirements and employee benefits will adversely affect our operating costs. Any of the foregoing will materially and adversely affect our businesses and results of operation.

Labor shortages or increased labor costs may slow down our growth rate and reduce our profitability.

From the historical perspective, employee benefit and manpower service expenses covering salaries and benefits payable to all our staff (including our directors, senior management, headquarters staff and restaurant staff), are always the main components of our operating costs. In 2023, 2024 and 2025, our staff costs amounted RMB635.1 million, RMB775.0 million and RMB933.1 million, respectively. At present, all of our staff are employed and working in China. The Chinese economy has achieved significant growth in the past 20 years, and this has led to an increase in the average labor costs. It is expected that the overall economy and average wage in China will continue to grow.

The Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China stipulate overtime, pensions, layoffs, labor contracts, workers' rights and benefits and also stipulate specific standards and procedures for terminating labor contracts. In addition, the Labor Contract Law required that, in most cases, including the expiration of a fixed-term contract, the payment of statutory severance should be made when the labor contract is terminated. To comply with the PRC labor-related laws and regulations, we need to continue to invest in operating expenses, especially our personnel expenses. The shortage of labor force or any substantial increase in the labor costs will weaken our competitive advantages and have a material adverse effect on our businesses, financial position and results of operation.

We are subject to risks relating to cooperation with third-party payment platforms.

Customers can pay with digital payment methods such as Weixin Pay and Alipay, as well as other payment methods such as credit cards and cash, at our restaurants. During the Track Record Period, over 95% of the payments we received were made through third-party payment platforms. Our cooperation with these third-party payment platforms is critical to our business. If we fail to extend or renew the agreements with these third-party payment platforms on acceptable terms or if these third-party payment platforms are unwilling or unable to provide us with payment service or impose onerous requirements on us in order to access their services, or if they increase the fees they charge us for these services, our business and results of operation could be harmed. Furthermore, to the extent we rely on the systems of the third-party payment platforms, any defects, failures and interruptions in their systems could result in similar adverse effects on our business.

We cannot assure you that we will not incur net current liabilities in the future.

We had net current assets of RMB24.4 million, RMB147.1 million and RMB265.7 million as of December 31, 2023, 2024 and 2025, respectively. We cannot assure you that we will not record net current liabilities in the future. Net current liabilities may expose us to certain liquidity risks and may constrain our operational flexibility, as well as adversely affect our ability to expand our business. If we do not have sufficient working capital to meet future financial needs, we may need to resort to external funding. Our inability to obtain additional external borrowings on a timely basis and on acceptable terms, or at all, may force us to abandon our development and expansion plans, and our businesses, financial position and results of operation may be materially and adversely affected.

Our product sales and business operation are subject to seasonal fluctuations.

We experience seasonal fluctuations during our ordinary course of business and the operation of our restaurants, in particular with respect to the customer traffic. During the Track Record Period, we typically saw stronger revenue generation during holiday seasons, such as the Chinese New Year, summer break and National Day holiday, and when approaching the end of each year, primarily driven by increased dining during such periods. Going forward, we expect our financial condition and results of operations for the first quarters may continue to fluctuate and our historical quarterly results may not be comparable to future quarters.

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

Our financial assets at FVPL represent our investment in wealth management products. During the Track Record Period, we made investments in wealth management products to make better use of our cash. As of December 31, 2023, 2024 and 2025, our financial assets at FVPL were RMB115.2 million, RMB327.5 million and RMB488.8 million, respectively. See "Financial Information — Discussion of Key Items of Our Consolidated Statements of Financial Condition — Assets — Financial Assets at FVPL." As we need to make significant estimates and assumptions in determining the fair value of the wealth management products we purchased using unobservable inputs, the valuation of these financial assets are subject to uncertainties. Any net changes in the fair value of such assets are recorded as our other revenue, and therefore may adversely affect our results of operation. Although we did not incur any fair value losses for financial assets at FVPL during the Track Record Period, we cannot assure you that we will not incur any such fair value losses in the future. If we incur such fair value losses, our financial condition, results of operation and prospects may be adversely affected.

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

As a restaurant operator, our raw materials mainly include food ingredients that have limited shelf lives, such as fresh vegetables. The shorter the shelf life and the longer we hold such inventories, our risk of inventory obsolescence increases. We closely monitor our inventory levels at each restaurant through our internal inventory management system. However, consumption of our food ingredients is subject to various factors beyond our control, including fluctuations in customer traffic, and in the long term, changes in consumer taste and dining preference. We cannot guarantee that our inventory levels will be able to meet the demands of customers, which may adversely affect our sales. We also cannot guarantee that all of our food inventory can be consumed within its shelf life. Excess inventory may increase our inventory holding costs and subject us to the risk of inventory obsolescence or write-offs, which could have a material adverse effect on our business, financial condition and results of operation.

Our inventories comprise food and consumables used in our restaurant operations. As of December 31, 2023, 2024 and 2025, the balance of our inventories amounted to RMB159.7 million, RMB124.6 million and RMB192.5 million, respectively. See "Financial Information — Discussion of Key Items of Our Consolidated Statements of Financial Position — Assets — Inventories."

The risk of obsolescence for our inventory increases as the storage time of our inventory increases. In addition, certain factors such as unexpected fluctuations in the supply of raw materials or changes in customers' tastes and preferences are beyond our control and may lead to decreased demand and overstocking of particular products, which in turn increases the risk of obsolescence for our inventory. Furthermore, as our restaurant network expands, our inventory level increases and our inventory obsolescence risk may also increase along with the increased purchase of inventories. In such circumstances, our businesses, financial position and results of operation may be materially and adversely affected.

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

Our contract liabilities comprise prepaid cards, reward points that our customers have accumulated but not yet redeemed or expired in relation to our customer membership programs, and advances from customers for our products. We recorded contract liabilities of RMB57.0 million, RMB59.5 million and RMB51.3 million as of December 31, 2023, 2024 and 2025, respectively. See "Financial Information — Discussion of Key Items of Our Consolidated Statement of Financial Position — Liabilities — Contract Liabilities." If we fail to provide products and services to fulfill our obligations under our contract liabilities, we may not be able to recognize such contract liabilities as revenue, which may have a material and adverse impact on our business, results of operation, reputation and liquidity position.

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

As of December 31, 2023, 2024 and 2025, our deferred tax assets amounted to RMB67.0 million, RMB66.5 million and RMB49.5 million, respectively. Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Pursuant to the Notice No. 8 issued by the Ministry of Finance and the State Administration of Taxation of the PRC, the maximum carried forward period of the tax losses affected by COVID-19 in certain affected industries, such as the catering industry, is extended from five years to eight years. Any changes in management's judgment as well as the future operating results of the relevant entities would affect the carrying amounts of deferred tax assets to be recognized and the recoverability of deferred tax assets recognized in our consolidated financial statements, and therefore could materially and adversely affect our financial condition and results of operation in future years.

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

We adopted share incentive schemes for the benefit of our employees (including directors) as remuneration for their services provided to us to incentivize and reward the eligible persons who have contributed to the success of our Company. See "Appendix IV — Statutory and General Information — D. [**REDACTED**] Share Incentive Schemes — 1. Share Option Scheme." In 2023, 2024 and 2025, we incurred equity-settled share-based payment expenses of RMB17.2 million, RMB23.4 million and RMB56.0 million, respectively. To further incentivize employees and consultants, we may grant additional share-based compensation in the future. Issuance of additional Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

We may need additional funds to provide funding for our operation which may not be available under conditions acceptable to us, or not available at all. If we can raise equity capital, the value of your investment may be adversely affected.

We may need additional cash resources to support our continuing growth or other development in the future, including investments or acquisitions that we may decide to make. If our funding need is greater than our financial resources, we will need to seek additional funding or postpone our planned expenditure. We cannot guarantee that we can obtain additional funding on terms acceptable to us or successfully obtain any funding. In addition, our ability to raise additional funding in the future is subject to a number of uncertain factors, including but not limited to, our future financial position, results of operation and cash flow, the overall market conditions of equity and debt financing activities, and the economic, political and other conditions in China and other regions.

In addition, if we raise additional funding through equity or equity related financing, your equity interest in our Company may be diluted. Furthermore, if we raise additional funding by incurring debt obligations, we may be subject to multiple covenants under the relevant debt instruments, which in turn may, among other things, restrict our ability to pay dividends or obtain additional financing. The fulfillment of debt obligations may also impose a burden on our operations. If we fail to fulfill our debt obligations or comply with any of such covenants, we may breach such debt obligations, and our liquidity and financial condition may be adversely affected.

We may evaluate and potentially explore new business opportunities, enter into new markets, and consummate strategic investments or acquisitions, which may turn out to be unsuccessful and adversely affect our results of operations and financial performance.

We seek and will continue to explore opportunities to grow our business, such as launching new brands, expanding restaurant network, developing new hotpot dishes, or 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 unsuccessful branding strategies. Historically, we launched the Chao Dao brand and also operated Tao Niang restaurants under Beijing Tao Niang. However, following pilot operations and continued performance evaluation, we made the strategic decision to close all Chao Dao restaurants and to dispose of our entire equity interest in Beijing Tao Niang. Going forward, we may consider launching or operating new brands or business formats to support our growth. These initiatives may involve various risks, including inaccurate assessment of market demand, inability to achieve operational efficiency, misalignment with our brand positioning, and opportunity costs arising from the diversion of management attention and capital resources to underperforming ventures. There is no assurance that our future efforts in exploring new business directions will be successful, and any failure may adversely affect our financial performance, brand reputation, and ability to execute our long-term strategy. Additionally, to complement our business and strengthen our market position, we may form strategic cooperations or make strategic investments and acquisitions from time to time. We may experience difficulties in integrating our operations with the newly invested or acquired businesses, implementing our strategies or achieving expected levels of revenue, profitability, productivity or other benefits. 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.

Macroeconomic factors have led to and may continue to have a material adverse impact on our businesses, financial position and results of operation.

The hotpot industry in China is subject to the impact of macroeconomic factors, including the changes in international, national, regional and local economic conditions, employment levels and expenditure pattern of consumers. In particular, all of our restaurants are located in China. Therefore, our results of operation are substantially affected by the macroeconomic environment in China. Any slowdown of economic growth in China, decrease in the disposable income of consumers, concerns over economic recession and decline in consumer confidence may lead to a reduction in the customer traffic and the per capita consumption of our customers. In this regard, such macroeconomic factors may have a material adverse effect on our financial position and results of operation.

In addition, under general circumstances, the occurrence of sovereign debt crises, banking crises in the banking industry or other interruptions of the global financial markets may have a material adverse impact on the financing available to us. The turbulence of the financial market, banking system or currency exchange rate may seriously confine our ability to obtain financing from the capital market or financial institutions on commercially reasonable terms, or we cannot obtain financing at all. Such a situation may materially and adversely affect our businesses, financial position and results of operation.

We are subject to risks related to our leased properties.

As of the Latest Practicable Date, certain of our leased properties from third parties in connection with operations had not completed all required legal and regulatory formalities: (i) property ownership certificates had not been provided by the respective lessors for six leased restaurant properties, with a total gross floor area of approximately 2,805 square meters, representing approximately 2.1% of our total leased GFA; (ii) one leased restaurant property, with a gross floor area of approximately 1,600 square meters (representing approximately 1.2% of our total leased GFA), was being used in a manner inconsistent with the designated use stated in the relevant property ownership certificate or planning documents; and (iii) we had not completed lease registration and filing procedures with the relevant PRC authorities for substantially all of our leased properties.

As advised by our PRC Legal Adviser, if the lessors of the leased properties do not have the requisite rights to lease the relevant properties, the relevant lease agreements may be deemed invalid, and as a result, we may be required to vacate from the relevant properties and relocate our restaurants. In this event, our operation of restaurants in such properties may be impaired and we may not be adequately indemnified by the landlords for our related losses. Also, we will incur additional costs in relocating our restaurants to other suitable locations, thus affecting our business operations and financial condition.

Failure to complete lease registration may, under PRC laws, result in a fine ranging from RMB1,000 to RMB10,000 per property. In the case of properties with usage defects, administrative penalties may be imposed on the landlords if the properties are leased for uses inconsistent with their approved purposes, and the competent authorities may order suspension of use or other corrective measures. While such penalties generally apply to the landlords rather than lessees, our operations on the affected premises could still be disrupted.

None of our PRC entities had received any administrative penalties or rectification notices as a result of above defects from government authorities during the Track Record Period and up to the Latest Practicable Date. However, we cannot assure you that we will not be subject to future compliance inspections or enforcement actions. Any forced relocation or disruption to our operations as a result of such defects may materially and adversely affect our business and results of operations.

We are subject to labor-related risks.

Under PRC laws, employers are required to contribute to social insurance and housing provident funds for their employees. During the Track Record Period and up to the Latest Practicable Date, we did not fully make the required contributions for employees. The shortfall in contributions amounted to RMB1.2 million, RMB0.7 million and RMB0.8 million in 2023, 2024 and 2025, respectively. According to applicable laws and regulations, the government authorities may require us to rectify the shortfall, and failure to do so in a prescribed time limit could result in fines. See "Business — Our Employees — Social Insurance and Housing Provident Fund."

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

We may not be able to adequately protect our intellectual property rights and may be subject to infringement of intellectual property rights, or misappropriation claims, by third parties.

We believe our trademarks, patents and other intellectual property rights are crucial to our success. However, we may face infringement of our intellectual property by third parties, such as unauthorized use or copying of our intellectual property. We are particularly exposed to product infringement risks, as there is no guarantee that our intellectual property will not be misused in the market. Infringers may illegally produce products using our intellectual property, and such incidents are often difficult to detect or prevent in a timely manner. We are also exposed to "passing off" risks, where third parties may attempt to imitate our brand name, logos or restaurant décor to mislead consumers into believing that their products or restaurants are associated with us. Such conduct could divert customer traffic, dilute our brand value and adversely affect our reputation. These issues could harm our reputation and brand, which are key to our profitability and competitiveness. Moreover, our efforts to protect and enforce our intellectual property rights may not always be successful. Defending our intellectual property against infringement may require costly and time-consuming legal action, with uncertain outcomes. If we are unable to protect our intellectual property, it could negatively affect our business, financial performance, and prospects.

Additionally, we may face intellectual property infringement or misappropriation claims from third parties, such as the allegations on misappropriation of copyrighted pictures, software and fonts in our restaurant operation. For instance, we may from time to time receive complaints or be subject to claims relating to the use of third-party software, including allegations of unlicensed or unauthorized use. Any of these circumstances could increase our operating costs or adversely affect our reputation or business operations. In addition, our restaurants in China typically play background music. If any copyright holder or collective management organization claims that we have used music or audio content without proper authorization, we may be subject to legal proceedings, fines, demands for compensation, or an order to cease the relevant activities. Even if such claims are resolved, they could result in additional costs. There is also no assurance that we will be able to renew existing licenses or obtain new ones on commercially acceptable terms.

We may be subject to litigation and other legal proceedings and may not always be successful in defending ourselves against such claims or proceedings.

We may face litigation and other legal proceedings in the ordinary course of our business, including disputes related to products, liability, labor, contracts, or intellectual property. Such legal actions could negatively affect our financial performance and results of operation. They may also lead to adverse publicity, damaging our brand, reputation, and customer preference for our products. The outcomes of these proceedings are uncertain and may result in legal expenses, settlements, or decisions that harm our business, results of operation, and prospects.

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

As of the Latest Practicable Date, we have obtained insurance policies that we believe are customary for businesses of our similar size and type, and in line with the standard commercial practice in China. See "Business — Insurance." However, there are types of losses we may incur that cannot be insured or claimed against, such as loss of reputation. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our businesses and results of operation may be materially and adversely affected.

We may be directly or indirectly subject to anti-bribery, anti-corruption, anti-money laundering, or other similar laws, and non-compliance with such laws can subject us to administrative, civil and criminal fines and penalties, remedial measures and legal expenses, which could adversely affect our business, results of operations, financial condition and reputation.

We are subject to anti-bribery, anti-corruption, and anti-money laundering laws and regulations of the jurisdictions in which we operate. For example, the Anti-Unfair Competition Law and provisions of the Criminal Code prohibit giving and receiving money or property (which includes cash, proprietary interests and items of value) to obtain an undue benefit. Further, the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》), prohibits money laundering. In addition, many of our customers require us to follow strict anti-bribery policies as part of doing business with us.

In addition, although currently almost all of our business operations are in China, we are subject to the U.S. Foreign Corrupt Practices Act (the "FCPA"). The FCPA generally prohibits us from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. We are also subject to the anti-bribery laws of other jurisdictions. As our business expands, the applicability of the FCPA and other anti-bribery laws to our operations will increase. Our procedures and controls to monitor anti-bribery compliance may fail to protect us from reckless or criminal acts committed by our agents or business partners. If we, due to either our agents' or business partners' deliberate or inadvertent acts or those of others, fail to comply with the applicable anti-bribery laws, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and/or significant compliance expenses, which could have a material adverse effect on our business, financial condition, and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

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. If it is determined in the future that approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek approval 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 [**REDACTED**] 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 business, results of operations, financial performance.

Tax implications of indirect transfers of equity interests in a PRC-resident enterprise by a non-resident enterprise need to be determined according to the effective laws and regulation and may negatively affect our business and our ability to conduct mergers, acquisitions or other investments.

The Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("Circular 7") provides comprehensive guidelines relating to, and heightened the Chinese tax authorities' scrutiny of, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise ("PRC Taxable Assets"). For example, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, Circular 7 allows the

Chinese tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose on the non-resident enterprise a 10% rate of PRC enterprise income tax. Circular 7 exempts this tax, for example, (i) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a [**REDACTED**] overseas holding company in the public market, and (ii) where a non-resident enterprise transfers PRC Taxable Assets that it directly holds, and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax. Whether any exemptions under Circular 7 will be applicable to transfers of our Shares by our non-public Shareholders needs to be determined according to the effective laws and regulations. If the Chinese tax authorities impose PRC enterprise income taxes on these activities, the value of your investment in our Shares may be adversely affected.

We may be deemed as a PRC tax resident under the EIT Law and be subject to PRC taxation on our worldwide income.

Under the EIT Law, enterprises established under the laws of jurisdiction other than China may be considered PRC tax residents provided that their "de facto management body" is located within China. Supplementary rules of the EIT Law interpret "de facto management body" as a body that exercises substantial management or control over the business, personnel, finance and properties of an enterprise. As most of our management is currently based in China and many may remain in China in the future, we and our non-PRC subsidiaries may be treated as PRC tax resident and a number of unfavorable tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income and to PRC enterprise income tax reporting obligations.

While the EIT Law provides that dividend income between "qualified resident enterprises" is exempt from PRC enterprise income tax, it is not clear whether our Company and our non-PRC subsidiaries would be eligible for such exemption were we considered to be PRC tax resident. In addition, if we are treated as PRC tax resident under Chinese laws, capital gains realized from sales of our Shares and dividends we pay to non-PRC resident Shareholders may be treated as income sourced within China. Accordingly, dividends we pay to non-PRC resident Shareholders and transfers of Shares by these Shareholders may be subject to PRC income tax. The tax on this income of non-PRC resident enterprise Shareholders would be imposed at a rate of 10% (and may be imposed at a rate of 20% in the case of non-PRC resident individual Shareholders). In the case of dividends, this tax would be withheld by us at source. Any PRC tax liability may ultimately be reduced under an applicable tax treaty. However, it is unclear whether, if we are deemed to be a PRC tax resident, our Shareholders would be able to obtain the benefits of any income tax treaties or agreements between their country or jurisdiction of tax residence and the PRC. If we are required to withhold PRC income tax on dividends payable to you, or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment in our Shares may be materially and adversely affected.

Any dividends paid by our PRC subsidiaries to us as a holding company are subject to PRC withholding taxes.

We rely on the distributions to us by our PRC subsidiaries for funding, including to pay dividends to our Shareholders and to service any debt we may incur. Under the EIT Law and its implementation rules, a 10% withholding tax is applicable to the profit of a foreign-invested enterprise distributed to its immediate holding company outside China to the extent the distributed profit is sourced from China, (i) if the immediate holding company is neither a PRC-resident enterprise nor has any establishment or place of business in China, or (ii) if the immediate holding company has an establishment or place of business in China but the relevant income is not effectively connected with the establishment or place of business. Pursuant to a special arrangement between Hong Kong and Chinese mainland, this rate could be lowered to 5% if a Hong Kong-resident enterprise directly owns over 25% of the Chinese company at all times during the 12-month period immediately prior to obtaining a dividend from such company. In addition, according to a tax circular issued by the STA in February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, Chinese tax authorities have the discretion to adjust the tax rate enjoyed by the relevant offshore entity. Chinese tax authorities may not determine that the 5% tax rate applies to dividends received by our subsidiary in Hong Kong from our Chinese subsidiaries, or Chinese tax authorities may levy a higher withholding tax rate on these dividends in the future. In accordance with the Administrative Measures for Convention Treatment for Non-resident Taxpayers (《非居民納税人享受協定待遇管理辦法》), if non-resident taxpayers consider they are eligible for treatments under the tax treaties through self-assessment, they may, at the time of filing tax returns or making withholding tax filings through withholding agents, enjoy the treatments under the tax treaties, and shall concurrently collect and retain the relevant documents for inspection according to relevant regulations, and accept post-filing administration by the tax authorities.

Policies and regulations regarding foreign currency conversion may impact our foreign exchange transactions, including dividend payments to holders of our Shares and our ability to finance in foreign currencies.

The conversion of Renminbi into foreign currencies should be in compliance with relevant laws and regulations. We receive all of our revenue in Renminbi, and undertake certain transactions denominated in foreign currencies. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of the SAFE by complying with certain procedural requirements. In particular, under the relevant existing exchange laws and regulations, without prior approval of the SAFE, cash generated from the operations of our PRC subsidiaries may be used to pay dividends to our Company, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have licenses to carry out foreign exchange business. However, the laws, regulations and governmental policies regarding currency conversion are generally complex and evolving. If we cannot obtain sufficient foreign currencies to satisfy our foreign currency demands via the foreign exchange regulation system, we may not be able to pay dividends in foreign currencies to our Shareholders. Foreign exchange transactions under our capital account are subject to the relevant foreign exchange regulations and policies and may need approval from the SAFE or its local branches. These regulations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

Fluctuations in the value of the Renminbi may have an adverse effect on our financial results, and impact dividend payments, if any, to our Shareholders.

Fluctuations in exchange rates between Renminbi, Hong Kong dollar, the US dollar and other currencies are unpredictable, and may be affected by a number of factors, such as economic and political developments. There can be no assurance that Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or US dollar in the future. It is difficult to predict how market forces may impact the exchange rates between Renminbi and foreign currencies in the future.

Revaluation of the Renminbi could negatively impact your [**REDACTED**]. For instance, if we need to convert Hong Kong dollars received from this [**REDACTED**] into Renminbi for our operations, an appreciation of the Renminbi against the Hong Kong dollar would reduce the Renminbi amount we receive from the conversion. Conversely, if we need to convert Renminbi into Hong Kong dollars for dividend payments or other business purposes, an appreciation of the Hong Kong dollar against the Renminbi would reduce the Hong Kong dollar amount available to us. Therefore, fluctuations in exchange rates may adversely affect your [**REDACTED**] in [**REDACTED**].

You may encounter difficulty in effecting service of legal process upon, and enforcing foreign judgments against, us, our Directors and senior management.

We are a holding company incorporated in the Cayman Islands and operate our businesses through our operating subsidiaries in China. Most of our Directors and senior management members reside in China and the majority of their assets are within China. As a result, it may not be possible to effect service of process within certain jurisdictions outside the PRC upon us or most of our Directors and senior management. Pursuant to Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Chinese Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) effective on January 29, 2024, promulgated by the Supreme People' Court, a party with an enforceable final court judgment rendered by the competent People' Court of the PRC or the High Court of Hong Kong with respect to any civil and commercial cases excluding certain types of which, may apply for recognition and enforcement of the judgment in the relevant Intermediate People' Court of the PRC or the High court of Hong Kong. We cannot assure you that an effective judgment that complies with the New Arrangement can be recognized and enforced in a PRC court.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

There has been no prior public market for our Shares, and an active [REDACTED] market for our Shares may not develop or be sustained.

Before the [**REDACTED**], there was no public market for our Shares. The initial [**REDACTED**] range of our Shares, and the [**REDACTED**], will be the result of negotiations between the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) and us. The [**REDACTED**] may differ from the [**REDACTED**] for our [**REDACTED**] following the [**REDACTED**].

In addition, while we have applied to have our [**REDACTED**] on the Stock Exchange, (i) an active [**REDACTED**] market for our [**REDACTED**] may not develop or, (ii) if it does, it may not be sustained following completion of the [**REDACTED**], or (iii) the [**REDACTED**] of our Shares may decline below the [**REDACTED**]. You may not be able to resell your shares at a price that is attractive to you, or at all.

The [REDACTED] and [REDACTED] volume of our [REDACTED] may be volatile, which could lead to substantial losses for [REDACTED].

The [**REDACTED**] and [**REDACTED**] volume of our [**REDACTED**] may be volatile. The [**REDACTED**] of our Shares may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond our control: (i) actual or anticipated variations of our results of operations; (ii) loss of key raw material and packaging material suppliers; (iii) changes in securities analysts' estimates or market perception of our financial performance; (iv) announcement by us of significant acquisitions; (v) addition or departure of senior management members or other key personnel; (vi) fluctuations in stock market price and volume; (vii) regulatory or legal developments, including involvement in litigation; (viii) fluctuations in [**REDACTED**] volume or the release of lock-up or other transfer restrictions on our outstanding [**REDACTED**] or sales of additional [**REDACTED**] by us; and (ix) general economic, political and stock market conditions.

Additionally, stock markets and shares of other companies [**REDACTED**] on the Stock Exchange with significant operations and assets in China have experienced increased price and volume fluctuations in recent years. Some of these fluctuations have been unrelated or disproportionate to the actual operating performance of these companies. These broader market and industry fluctuations could materially and adversely impact the [**REDACTED**] of our Shares.

[REDACTED] of our Shares in the [REDACTED] will experience immediate and substantial dilution and may experience further dilution if we issue additional Shares in the future.

The initial [**REDACTED**] of our [**REDACTED**] is [**REDACTED**] than the net tangible asset value per Share of the outstanding [**REDACTED**] issued to our existing Shareholders immediately prior to the [**REDACTED**]. Therefore, [**REDACTED**] of our Shares in the [**REDACTED**] will experience an immediate dilution in terms of the [**REDACTED**] net tangible asset value. In addition, we may consider offering and issuing additional Shares or equity-related securities in the future to raise additional funds, finance acquisitions or for other purposes. [**REDACTED**] of our Shares may experience further dilution in terms of the net tangible asset value per Share if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share.

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

The market [**REDACTED**] of our [**REDACTED**] could decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated 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 shareholdings if we issue additional Shares other than on a pro rata basis to existing Shareholders. New Shares or equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

Our Controlling Shareholders are able to exercise significant influence over us. The interests of our Controlling Shareholders may not align with that of our other Shareholders.

Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised and without taking into account of any Shares that may be issued under the Share Option Scheme), our Controlling Shareholders in aggregate will own approximately [**REDACTED**]% of the enlarged share capital of our Company. Our Controlling Shareholders will have the ability to exercise significant influence over us, including matters relating to the nomination and election of our Directors, business strategies, dividend and other distributions, and major corporate activities, including securities offerings, acquisitions or investments. The interests of our Controlling Shareholders may not align with that of our other Shareholders. As a result, our Controlling Shareholders may take actions that other Shareholders may not agree with or that are not in our, or our other Shareholders' best interests.

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

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

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

This Document, particularly the section headed "Industry Overview", contains information and statistics relating to the markets in which operate. Such information and statistics have been derived from various official government and other publications and from a third-party report commissioned by us. However, we cannot guarantee the quality or reliability of the information from official government sources, which has not been independently verified by us, the Joint Sponsors, the [**REDACTED**], 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 their accuracy. In addition, we cannot assure you that information from official government sources 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.

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

This Document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other 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 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 Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to this cautionary statement.

You should read the entire Document carefully, and we caution you to not rely on any information contained in press articles or other media regarding us or the [REDACTED].

Prior to the publication of this Document, there has been press and media coverage regarding us and the [**REDACTED**], including but not limited to certain financial information, projections, industry comparison, valuations and/or other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any such information appearing in publications other than this Document is inconsistent with, or conflicts with, the information contained in this Document, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to [**REDACTED**] our Shares, you should rely only on the information included in this Document.