The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications generally believed to be reliable and from the market research report prepared by Frost & Sullivan, which we commissioned. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect.

However, information and statistics from official government sources have not been independently verified by us or any other parties involved in the [**REDACTED**] *and no representation is given as to their accuracy. The information and statistics contained in this section may not be consistent with other information and statistics compiled within or outside of China. As a result, you are advised not to place undue reliance on such information.*

CHINA'S CATERING INDUSTRY OVERVIEW

The Chinese catering industry refers to the commercial activities of cooking, preparing, and selling food to customers in specific locations. The catering market is one of the largest consumption markets in China.

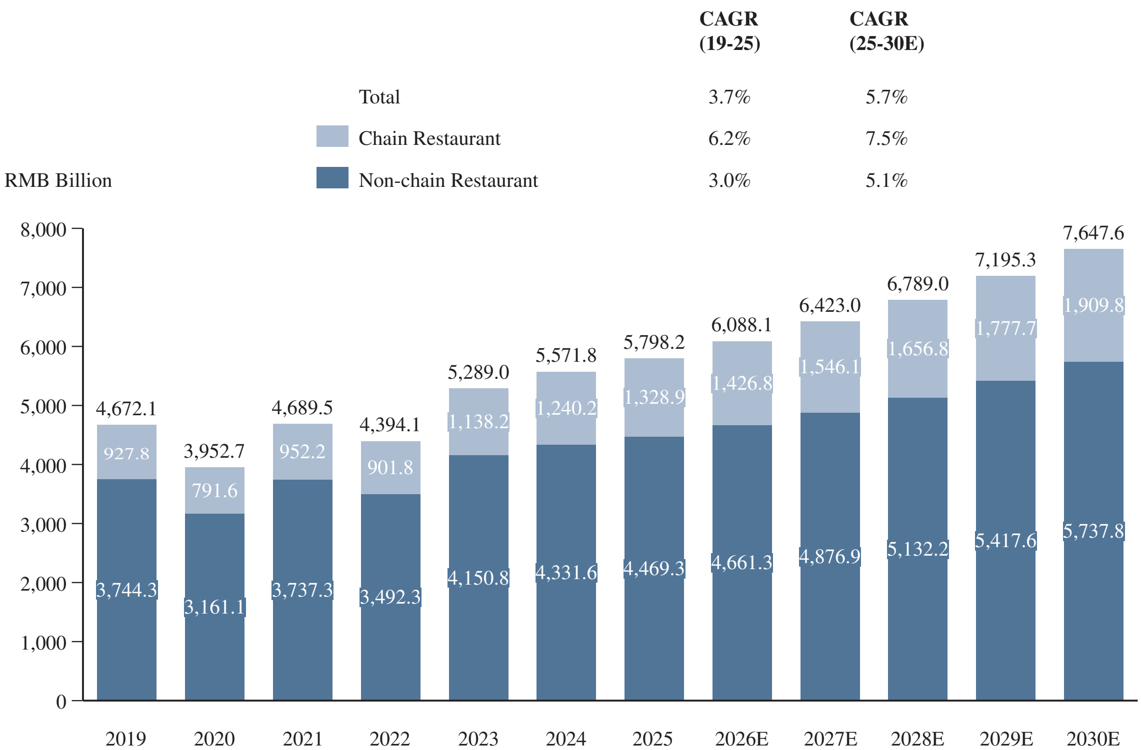
The catering industry can be categorized by cuisine type into several types, including Chinese cuisine such as hotpot, Sichuan cuisine, Cantonese cuisine, western cuisine such as western fast food, Italian cuisine, and other types of cuisine.

MARKET SIZE OF CHINA'S CATERING INDUSTRY

China's catering industry achieved a growth from RMB4,672.1 billion in 2019 to RMB5,798.2 billion in 2025, representing a CAGR of approximately 3.7%.

China has significant untapped potential for increasing the proportion of chain restaurants, and the trend toward large-scale chains is on the rise. With the development of digitalization and the expansion of delivery services in the chain restaurant market, its market size grew rapidly from RMB927.8 billion in 2019 to RMB1,328.9 billion in 2025, representing a CAGR of approximately 6.2%, outpacing the growth rate of the non-chain restaurant market. Chain restaurants are more resilient than non-chain restaurants because of the scale effect and supply chain advantages, brand influence and standardized operations, anti-risk capital and resource support. Thanks to efficient management capabilities, a well-established supply chain, a higher level of standardization and stronger capital support, the chain restaurant market is expected to grow rapidly in the future, reaching approximately RMB1,909.8 billion in 2030 at a CAGR of 7.5%.

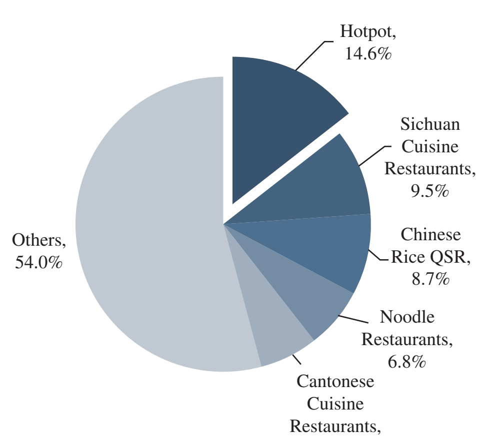
Market Size of China's Catering Market, Breakdown by Operating Model, 2019-2030E



Source: National Bureau of Statistics, China Chain Store & Franchise Association, Frost & Sullivan

Comparing with developed countries in the world, China still has a relatively low restaurant chainization rate of 22.9%. U.S., Japan, South Korea and UK has restaurant chainization rate of 56.9%, 53.2%, 47.2%, 46.6%, respectively. The catering industry can be categorized by cuisine type into several types, including Chinese cuisine, western cuisine and other types of cuisine. Chinese cuisine is the largest segment accounting for 76.3%. Hotpot is highly welcomed by Chinese consumers. It accounted for the largest proportion in Chinese cuisine market among all cuisine styles in China in 2024 with a total market share of 14.6%.

Revenue of Chinese Cuisine Restaurants, Breakdown by Cuisine Style, 2025



Source: Frost & Sullivan

CHINA'S HOTPOT INDUSTRY OVERVIEW

Hotpot refers to several East Asian varieties of stew, consisting of a simmering metal pot of stock at the center of the dining table. Typical hotpot dishes include various types of foods, including tripe, sliced meat, fresh vegetables, tofu and seafood; and the cooked food is usually eaten with a dipping sauce. Hotpot could be divided into premium market, mid to high-end market and mass market. Premium market refers to hotpot market with per capita average spending over RMB120. Mid to high-end market refers to hotpot market with per capita average spending between RMB60-120. The per capita average spending of mass hotpot market is under RMB60. Premium hotpot brands normally offer higher quality ingredients, a differentiated experience and higher health and safety standards.

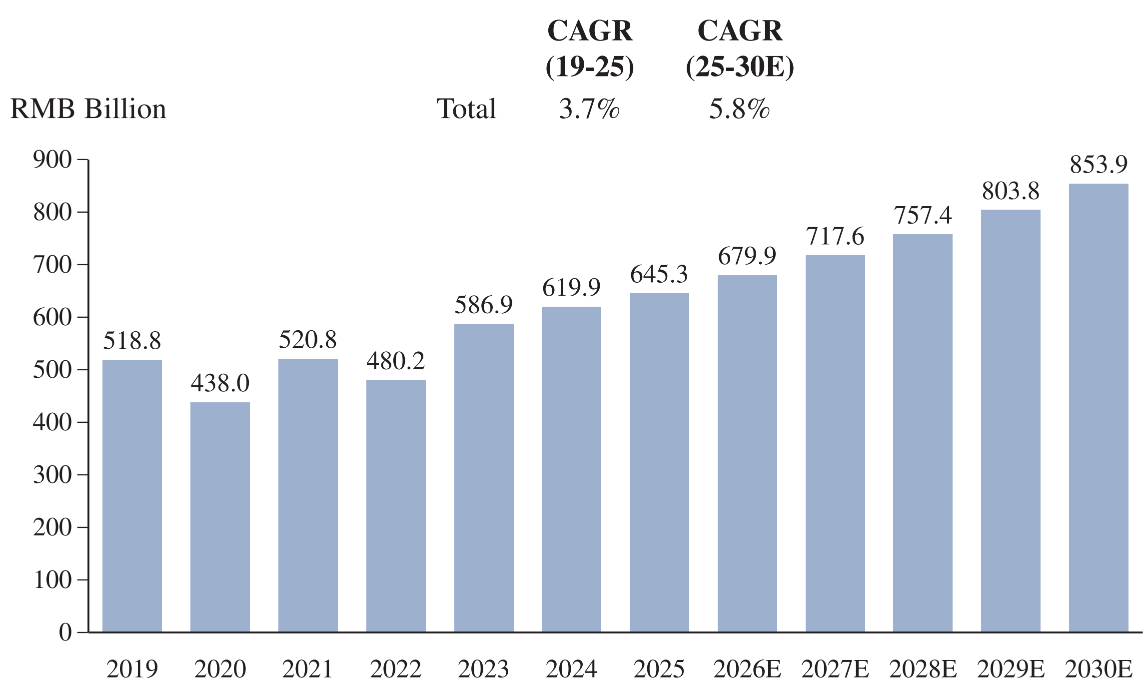
Upstream of China's hotpot industry refers to the supply of raw materials, responsible for producing and supplying food ingredients such as vegetables, fruits, meat, seafood, etc. Midstream is a supply chain management service. Other than purchasing directly from food processors or wholesalers, large-scale hotpot enterprises procure raw materials from self-built or third-party central kitchens, which perform centralized pre-preparation of hotpot ingredients, hotpot broth and soup base, and hotpot sauce and condiments. Unlike other Chinese food which will be processed after the ingredients are fried and so on, the core feature of hotpot catering is that the ingredients are provided directly to the consumers, and the consumers can visualize the ingredients, so the quality and freshness of the ingredients will be even more important compared to other Chinese restaurants. In order to ensure the quality of ingredients, for large-scale hotpot enterprises, a strong and reliable supply chain and central kitchen has become a must, especially on the upper reaches of quality and characteristics of the grasp of the ingredients as well as to be able to all-around safe and stable processing and distribution system is one of the core elements of the success of hotpot enterprises.

MARKET SIZE OF CHINA'S HOTPOT INDUSTRY

The market size of hotpot industry increased from RMB518.8 billion in 2019 to RMB645.3 billion in 2025, representing a CAGR of 3.7%. The market scale of hotpot industry maintains a high growth rate and a healthy development trend. Consumers love hotpot due to its high degree of standardization, mature management system and broad mass base.

In the future, the market size of hotpot industry is expected to grow rapidly and reach approximately RMB853.9 billion in 2030 at a CAGR of 5.8%.

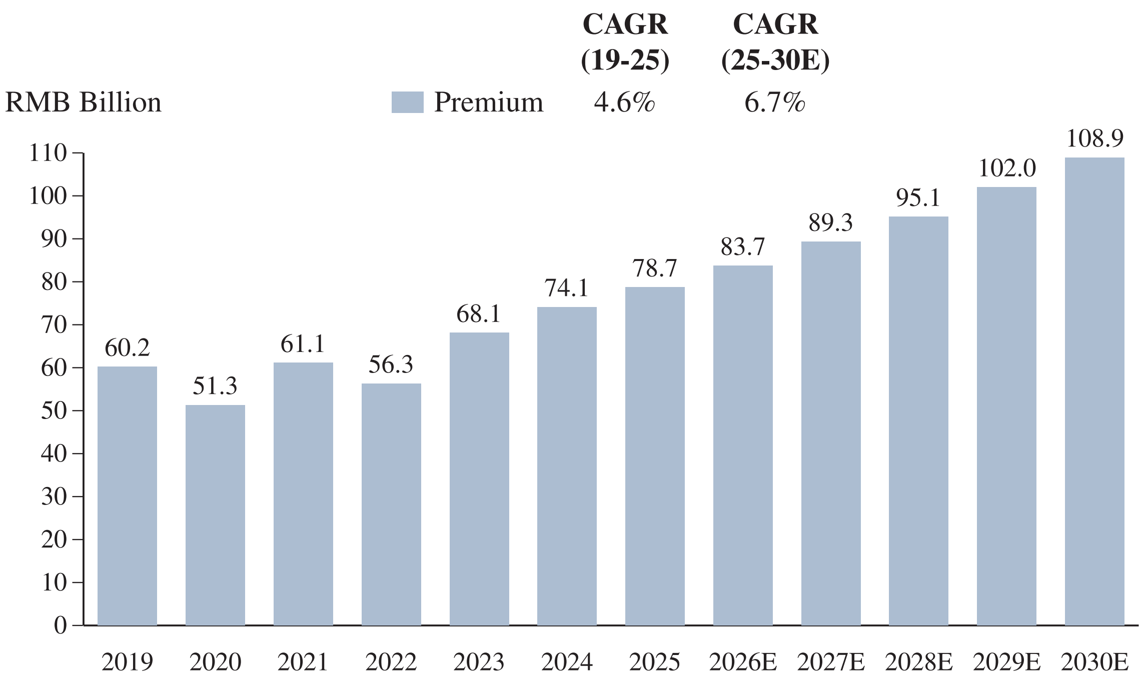
Market Size of Chinese Hotpot Market, 2019-2030E



Source: National Bureau of Statistics, Frost & Sullivan

Premium hotpot has more core competitiveness in this context due to consumers' demand for quality ingredients, differentiated experiences and health and safety standards, its market size grew rapidly from RMB60.2 billion in 2019 to RMB78.7 billion in 2025, representing a CAGR of approximately 4.6%. In the future, the premium hotpot market is expected to grow rapidly and reach approximately RMB108.9 billion in 2030 at a CAGR of 6.7%.

Market Size of Chinese Premium Hotpot Market, 2019-2030E



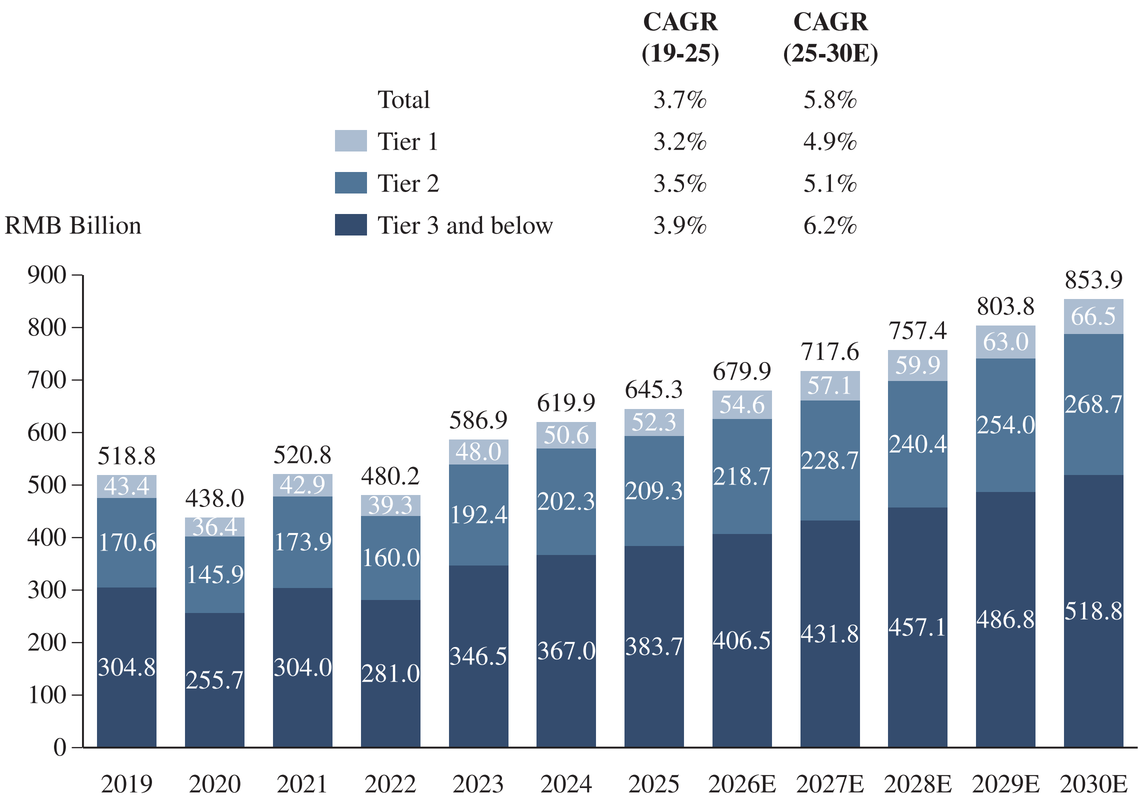
Source: Frost & Sullivan

The hotpot market in first-tier increased from RMB43.4 billion in 2019 to RMB52.3 billion in 2025, representing a CAGR of 3.2%, and is expected to reach RMB66.5 billion in 2030 at a CAGR of 4.9% from 2025 to 2030. The hotpot market in second-tier cities accounted for 32.4% of the total hotpot market in 2025 in China and is expected to rise to RMB268.7 billion in 2030 with a CAGR of 5.1% since 2025.

With rising income and increasingly fast-paced life, people in third-tier and below cities have an increasing demand for dining out, especially for the restaurants providing quality food with good atmosphere. This is expected to continue to drive the development of hotpot market in third-tier and below cities.

The market size of hotpot in third-tier and below cities is expected to rise to RMB518.8 billion in 2030 with a CAGR of 6.2% since 2025.

Market Size of Chinese Hotpot Market, Breakdown by city tier, 2019-2030E



Source: Frost & Sullivan

MARKET DRIVERS AND FUTURE TRENDS ANALYSIS OF CHINA'S HOTPOT INDUSTRY

Rising Demand for Quality and Fresh Ingredients: One of the drivers behind the growth of the hotpot industry is the increasing consumer demand for ingredient quality, and freshness. As disposable income rises and health awareness improves, dining preferences would shift from flavor-driven to a more balanced focus on food safety and differentiated experiences. Leading brands are responding to heightened consumer awareness by prioritizing traceable sourcing (e.g., blockchain-backed meat provenance, real-time freshness metrics for seafood) and transparent supply chains, which directly address diners' safety concerns and quality expectations. Hotpot companies are responding by enhancing supply chain management and innovating product processing, gradually raising ingredient standards — for example, by introducing fresh vegetables, additive-free soup bases, and regionally distinctive ingredients.

The Expansion of Mid-to-High-End Shopping Malls: The channel expansion of the hotpot industry is closely linked to the development and geographic penetration of mid-to high-end shopping malls. The number of shopping malls in China grew from approximately 5.9 thousand in 2019 to 7.7 thousand in 2025, reflecting a CAGR of 4.5%, with projections indicating further growth to 9.5 thousand by 2030. These new shopping malls is expected to bring rising number of locations for restaurants brands and hotpot companies, especially leading brands, to further expand presence across cities of different tiers.

Improvement in Food Supply Chain Infrastructure Supports Efficiency Gains: The hotpot industry's supply chain is undergoing transformation, shifting toward integrated end-to-end operations. The scaled growth of the hotpot industry is facilitated by continuous enhancements in the food supply chain ecosystem. The adoption rate of central kitchens has increased, with standardized processing reducing back-of-house steps at restaurants. This lowers labor dependency while ensuring consistent quality. Food processing enterprises and central kitchens of hotpot enterprises have improved standardization through refined production processes, such as pre-prepared hotpot ingredients and manufacturing of customized compound condiments. These advancements help reduce kitchen processing complexity at restaurant locations while ensuring a stable ingredient supply for chain hotpot brands. Hotpot operators further optimize procurement costs by adopting centralized purchasing, direct sourcing from producers, and contract farming partnerships, which streamline distribution channels. In upstream operations, leading companies shorten supply chain tiers through direct sourcing from production regions, securing premium ingredients, and achieving procurement cost optimization. Additionally, the development of cold chain logistics infrastructure plays a critical role in maintaining ingredient freshness and safety during cross-regional distribution. This vertical integration from "farm-to-table" enables simultaneous enhancements in product quality and cost efficiency, driving the industry's shift from extensive expansion to precision management. The coordinated upgrades across supply chain segments enable the industry to balance quality consistency with operational efficiency, providing foundational support for chain-based expansion.

Growing Penetration of Dining Out: Rising income levels have supported ongoing shifts in food consumption habits. Driven by China's ongoing urbanization, the demand for dining out has continued to increase, with more residents choosing restaurants over home cooking. The dining-out penetration rate, which is the percentage of person-times that dine out, has increased from approximately 23.8% in 2019 to 25.7% in 2025 and is projected to reach around 28% by 2030. This growth is supported by increasing household spending, accelerating urbanization, and the rapid expansion of food delivery services. Compared with developed economies such as the U.S., Japan, and Europe, China still has room for further growth. The full-scenario adaptability and social attributes of the hotpot category make it a core beneficiary of the increase in the penetration rate of dining out. Hotpot suits both large-group social dining occasions, such as family gatherings or friend get-togethers, and smaller-scale settings, including two-person or solo meals, offering greater flexibility than traditional full-course dining formats. Additionally, as urbanization progresses and social interaction becomes more important in daily life, hotpot's inherently interactive and immersive dining experience positions it as a popular choice for social dining. For the hotpot industry, stable social dining demand continues to drive consumption. Hotpot is often the preferred choice for group meals due to its interactive format and relaxed atmosphere. Rising penetration of dining out in China is expected to increase total spending on catering industry of Chinese people and fuel up the demand for all kinds of restaurants including hotpot restaurants which is one of the largest segments in China's catering industry. With rising frequency and spending on dining out, China's hotpot market is expected to grow continuously in the future.

Standardized Operations and Chain Expansion: The scalability of the hotpot industry is closely tied to its highly standardized operational model. Compared to traditional dining formats reliant on chef expertise, hotpot establishments reduce operational complexity and labor costs through standardized ingredients, centralized kitchen processing, and streamlined kitchen operations. For instance, leading brands leverage central kitchens for soup base production, ensuring consistent flavor profiles. This approach shortens the new store launch cycle. Such standardization has accelerated chain expansion within the industry, attracting sustained capital investment to support network growth. The rapid replication capability under standardized systems enables hotpot brands to penetrate new regions and capture market share, ultimately driving higher industry consolidation.

Digital Tool Adoption Enhances Operational Efficiency: The hotpot industry's operational efficiency gains are increasingly anchored in digital tool integration. Smart ordering systems streamline service flows by reducing wait times and boosting order value through dynamic menu recommendations, while membership platforms leverage consumer data analytics to refine targeted marketing and loyalty programs. Supply chain digitization enhances inventory management, with leading brands achieving reductions in ingredient waste. Back-end automation, such as AI workforce scheduling, unified payment interfaces, reduces labor and reconciliation costs. This holistic digital transformation across front-to-back operations elevates labor productivity and space utilization, enabling scalable growth.

Rising Chain Penetration and Market Concentration: The hotpot industry is accelerating toward higher levels of chain penetration and market concentration. The chain penetration rate of China's hotpot industry increased from 38.6% in 2019 to 45.5% in 2025, it is expected to reach 48.5% in 2030. This trend is largely driven by the standardization capabilities and scale advantages of leading brands. Enterprises operating under a self-operated model leverage central kitchen systems and digital management tools to ensure consistency in product and service delivery. In parallel, large-scale operators benefit from cost advantages through centralized procurement, building a sustainable cost barrier. On the demand side, consumers' growing emphasis on food safety, product consistency, and standardized dining experience further supports market concentration. The market share of the top five hotpot brands reached 8.1% in 2024 from 7.9% in 2022. Looking ahead, chain brands with strong supply chain control and refined operational systems are expected to further expand their market presence through self-operated or managed franchise models, driving a continued rise in industry concentration.

Increasing Customer Base of Hotpot in Overseas Market: The globalization of the hotpot industry is emerging as a strategic growth pathway. The rising demand for Chinese cuisine in overseas markets has established the hotpot as a recognized category, particularly within Chinese diaspora communities. Leading domestic brands are addressing taste adaptation challenges by exporting supply chain capabilities (e.g., industrialized broth production and cold chain solutions) and implementing localized adaptations (such as reduced spice levels and ingredient localization). Concurrently, acceptance among non-Chinese consumers is increasing, with hotpot becoming a preferred dining format for experiencing Chinese culture.

COMPETITIVE LANDSCAPE OF CHINA'S HOTPOT MARKET

China's hotpot market is relatively fragmented, with top five players accounted approximately around 7.9% of the market share in terms of revenue in 2025.

The Group was the second largest brand in China's hotpot market in terms of revenue, occupying 0.4% market share in 2025. In addition, The Group has 180 stores by the end of 2025.

Ranking and Market Share of Leading Players in China's Hotpot Market, by Revenue, 2025

Ranking	Brand	Revenue, 2025 (RMB Billion)	Market Share, 2025 (%)	Average Expense Per Person, (RMB)	23/25 CAGR
1	Brand A	41.8	6.5%	97.7	2.2%
2	**The Company**	**2.8**	**0.4%**	**139.0**	**16.1%**
3	Brand B	2.3	0.4%	51.5	-13.4%
4	Brand C	2.2	0.3%	~108.0	~5%
5	Brand D	1.7	0.3%	~132.0	~5%
	Top 5	**50.8**	**7.9%**		
	Others	**594.5**	**92.1%**		
	Total	**645.3**	**100.0%**		

Source: Frost & Sullivan

Notes

1. Brand A: Established in 1994, this company is a publicly listed company headquartered in Jianyang, Sichuan, China, specializing in Sichuan hotpot. The company adopts a self-operated business model with a nationwide chain network and had over 137,000 employees in total as of December 31, 2025.

2. Brand B: Established in 1998, this company is a publicly listed company headquartered in Beijing, China, whose sub-brand focusing on small hotpots for one person. The company adopts a self-operated business model with a nationwide chain network and had 755 stores under brand B in total as of December 31, 2025 in mainland China.

3. Brand C: Established in 2006, this company is a private company headquartered in Jiangyin, Jiangsu, China, focusing on seafood hotpot. The company adopts a self-operated business model with a nationwide chain network and had over 6,700 employees in total as of December 31, 2025.

4. Brand D: Established in 2015, this company is a private company headquartered in Shanghai, China, focusing on beef hotpot. The company adopts a self-operated business model with a nationwide chain network and had over 3,500 employees in total as of December 31, 2025.

China's premium hotpot market is relatively fragmented, with top 5 players accounted approximately around 9.1% of the market share in terms of revenue in 2025.

The Group was the largest brand in China's hotpot market in terms of revenue, occupying 3.6% market share in 2025.

Ranking and Market Share of Leading Players in China's Premium Hotpot Market, by Revenue, 2025

Ranking	Brand	Revenue, 2025 (RMB Billion)	Market Share, 2025 (%)	Average Expenses Per Person, (RMB)	23/25 CAGR
1	**The Company**	**2.8**	**3.6%**	**139.0**	**16.1%**
2	Brand D	1.7	2.2%	~132.0	~5%
3	Brand E	1.1	1.4%	~120.0	~2%
4	Brand F	1.0	1.3%	123.6	-33.9%
5	Brand G	0.5	0.6%	~120.0	~15%
	Top 5	**7.1**	**9.1%**		
	Others	**71.6**	**90.9%**		
	Total	**78.7**	**100.0%**		

Source: Frost & Sullivan

Notes

1. Brand E: Established in 2010, this company is a private company headquartered in Shanghai, China, focusing on Cantonese hotpot. The company adopts a self-operated business model with a nationwide chain network and had over 4,000 employees in total as of December 31, 2025.

2. Brand F: Established in 1998, this company is a publicly listed company headquartered in Beijing, China, whose sub-brand focusing on Taiwanese style hotpot. The company adopts a self-operated business model with a nationwide chain network and had 131 stores under brand F in total as of December 31, 2025 in mainland China.

3. Brand G: Established in 2004, this company is a private company headquartered in Beijing, China. The company is a national chain. The company specializes in mutton hot pot and serves traditional Beijing hot pot with high-quality beef and mutton products.

COST ANALYSIS OF CHINA'S CATERING INDUSTRY

The food ingredients purchased by catering companies generally include beef, lamb and vegetables. For example, the average price of beef steadily increased from RMB73.2 per kilogram in 2020 to a peak of RMB77.5 per kilogram in 2022. By late 2022, prices began declining due to oversupply. Prices decreased from RMB77.5 per kilogram in 2022 to RMB63.0 per kilogram in 2025. Key drivers of decline are domestic oversupply and import surge.

Average Price of Raw Food Material (China), 2020-2025

	2020	2021	2022	2023	2024	2025
Beef RMB/KG	73.2	77.2	77.5	73.9	63.8	63.0
Lamb RMB/KG	69.1	73.6	68.6	65.8	60.8	60.3
Vegetable RMB/KG	4.6	5.0	4.9	5.1	5.2	5.0

Source: Ministry of Agriculture and Rural Development (MARD); Frost & Sullivan

Note

(1) Price here refers to the wholesale price; (2) The average wholesale price of vegetables is the average wholesale price of 28 types of vegetables such as tomatoes, potatoes in China.

Aligned with the sustained economic growth in China, the average annual salary of employees in China's catering industry steadily increased from 2020 to 2025. Labor costs are expected to rise from 2025 to 2030 as the economy continues to develop and disposable income improves. Looking ahead, the average annual compensation for catering industry employees is projected to rise in tandem with China's nominal GDP growth.

Average Annual Salary of Catering Industry (China), 2020-2025

	2020	2021	2022	2023	2024	2025
Average Annual Salary (Thousand RMB)	42.3	46.8	47.5	49.3	51.5	52.5

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

Source: National Bureau of Statistics, Frost & Sullivan

ENTRY BARRIERS ANALYSIS OF CHINA'S HOTPOT MARKET

Supply Chain Management: The supply chain serves as the linchpin for ensuring ingredient safety and quality, encompassing strategic sourcing of fresh, premium ingredients from verified suppliers at competitive pricing, coupled with robust inventory control and streamlined logistics. Self-built supply chain systems have become a critical moat, separating established players from new entrants. Leading brands invest heavily in vertically integrated networks — from proprietary farms and in-house processing hubs to dedicated cold chain fleets. This ensures ingredient traceability and quality consistency. New entrants with limited supply chain expertise may struggle to establish competitive differentiation.

Product Quality and R&D Ability: The quality and flavor of ingredients are the core of hotpot dining. In recent years, the hotpot industry has seen a continuous emergence of new tastes, ingredients, and dishes, while novel styles, business models, and innovative engagement methods have consistently delivered fresh experiences to consumers, injecting vitality into the sector. The freshness of the food in hotpot industry is also very important. However, product freshness and R&D barriers may pose an entry barrier for new entrants to the industry, as they may find it challenging to advance and optimize their technical capabilities in the short term.

Talent and Management Ability: The service quality of hotpot restaurants is a crucial factor in attracting customers and enhancing competitiveness. Excellent management not only builds a strong reputation, attracts more patrons, reduces rental costs, and boosts profitability, but also determines the standardization level and replication capability of the enterprise. Hotpot enterprises will retain restaurant general manager, regional manager and other core positions as "key talent", through internal training and external introduction of a combination of ways to accelerate the talent pool. Leading hotpot enterprises generally establish a standardized training process from theory to practice. For example, the training for waiters covers hotpot culture, service etiquette, emergency handling and other modules, and ensures the effect through scenario simulation and performance assessment. In addition, leading enterprises design clear career development channels for employees, such as from waiters to restaurant general managers, regional managers, and even partners. However, talent and management ability barriers may pose an entry barrier for new entrants to the industry, as they may find it challenging to establish a standardized training process from theory to practice in the short term.

Brand Awareness: The hotpot market exhibits significant brand barriers to entry, particularly with leading players commanding substantial market share. Core brand differentiators encompass innovative marketing strategies and personalized service offerings. Established brands demonstrate competitive advantages in critical operational aspects such as site selection optimization (particularly prime locations) and lease negotiation leverage, coupled with sophisticated customer retention systems including tiered membership programs, private membership ecosystems and constant Weixin reach out. New market entrants face formidable challenges in allocating extensive temporal and capital resources to cultivate and sustain distinctive brand equity.

Operational System Investment: The key to large-scale expansion lies in an efficient and stable operational system. The core barrier of hotpot restaurant operations centers on deep integration of process standardization and technological collaboration capabilities. Scaling requires maintaining service efficiency and consistent consumer experience during rapid replication, which relies on digitally-driven lean management and modular organizational architecture. Through digital upgrades and customized self-developed system upgrades, hotpot brands can create a more convenient and satisfying dining experience for consumers. Competition in the hotpot industry has evolved from single product categories to comprehensive experience ecosystems and user operation capabilities. Establishing deep trust relationships can be achieved through omnichannel strategies and sophisticated membership system development.

SOURCE AND RELIABILITY OF INFORMATION

We have commissioned Frost & Sullivan, an Independent Third Party, to conduct a study of China's catering industry. We agreed to pay Frost & Sullivan a fee of RMB600,000 for the preparation of the Frost & Sullivan Report, and our Directors consider that such fee reflects market rates and are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the Frost & Sullivan Report. Founded in 1961, Frost & Sullivan has over 45 global offices with more than 3,000 industry consultants, market research analysts, technology analysts and economists. During the preparation of the Frost & Sullivan Report, Frost & Sullivan conducted primary research that involved discussing the status of the industry with industry participants and industry experts, as well as secondary research that involved reviewing company reports, independent research reports and Frost & Sullivan's own database. The Frost & Sullivan Report was compiled based on the following assumptions: (i) China's and the overseas economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable in the forecast period; (iii) market drivers like flavor diversity and scenario adaptability, rising demand for quality and health-conscious ingredients, growing penetration of dining out, etc. are likely to drive the China's hotpot industry.